

City of Rockville Pension Fund

**Analysis of Investment Performance
through September 30, 2009**



**George Kiriakos
Vice President**

November 2009

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November 05, 2009

Board of Trustees
City of Rockville Pension Fund
111 Maryland Avenue
Rockville, MD 20854

Dear Board of Trustees:

This report presents our updated analysis of the City of Rockville Pension Fund's investment performance and traces the growth of assets through September 30, 2009. It is based on data provided to us by your custodian and the various investment managers. The report illustrates the investment performance of the overall Fund and also shows results by asset class and by individual manager in comparison with the various performance benchmarks defined in the Fund's statement of guidelines and objectives.

We hope you find this report useful as a tool for monitoring the performance of the Fund as well as a basis for discussion of the investment issues surrounding the investment program. We look forward to reviewing this report with you and answering any questions you may have.

Sincerely,



George Kiriakos
Vice President

Table Of Contents

	<u>Section</u>
Financial Market Conditions	1
Overview	2
Total Fund	3
Investment Manager Performance	4

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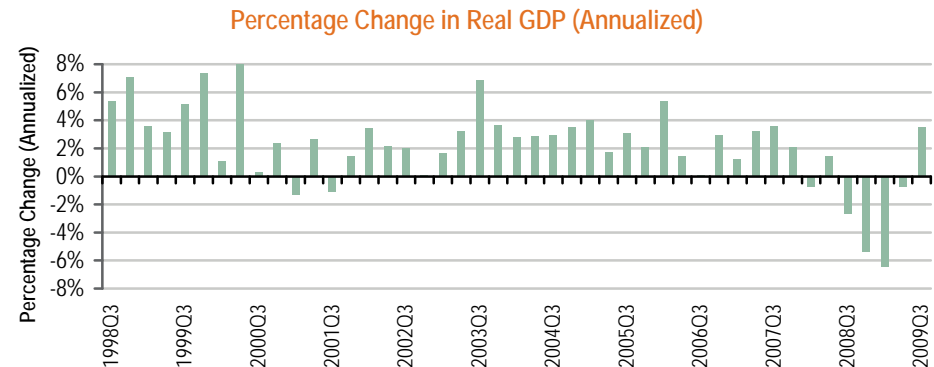
Financial Market Conditions: Review of Third Quarter 2009

The Economy: Key Indicators

Page 1 and page 2 focus on Segal Advisors' commentary on select economic indicators for third quarter (Q3) 2009.

GDP Growth Positive

As shown in the adjacent graph, during Q3 2009, Real Gross Domestic Product (GDP) increased at a 3.5 percent annualized rate, which was higher than the consensus expectation of a 3.2 percent increase. This was the first quarter of growth since the second quarter of 2008 and the largest increase since a 3.6 percent gain in the third quarter of 2007. In addition, the second quarter GDP decline was revised upwards to -0.7 percent from -1.0 percent. The expansion in GDP came from an increase in consumer spending (rose 3.4 percent at an annualized rate), including a sizable increase in auto sales, a smaller rate of decline in inventories (added 0.9 percent to growth), stronger exports, stronger investment in housing (first increase since 2005), and a smaller drop in business investment. The direct contribution of the federal government was less this quarter (0.6 percent vs. 1.1 percent last quarter) and state and local governments continued to contribute negatively.



Source: Bureau of Economic Analysis

Inflation

CPI: Percentage Change Year over Year



In Q3 2009, the headline Consumer Price Index (CPI) increased by 0.6 percent which is lower than the 0.8 percent increase last quarter. Although the headline CPI remains 1.3 percent below the September 2008 level on a year-over-year basis, the rate of decline slowed for the first time since Q2 2008. An increase in energy prices once again contributed to the acceleration of headline inflation, as heightened gasoline, fuel oil, and commodity prices resulted in a 4.8 percent increase in the energy CPI index from Q2 2009 to Q3 2009.

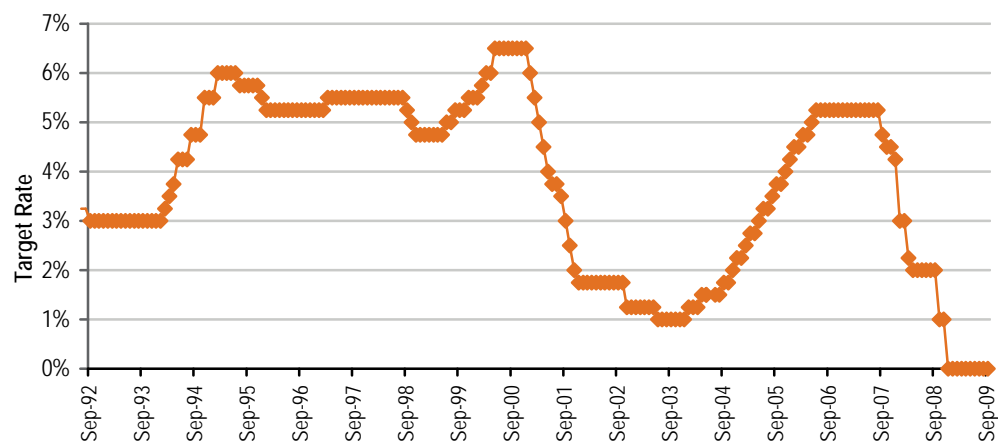
The core CPI index, which excludes both food and energy prices, increased by 0.3 percent during Q3 2009 and surpassed the Q3 2008 level by 1.5 percent. These values indicate that although deflationary pressures continue to ease, prices are not accelerating enough to present a serious threat of near-term inflation. The adjacent graph shows CPI since September 1992.

Source: Bureau of Labor Statistics

Fed Funds Target Rate

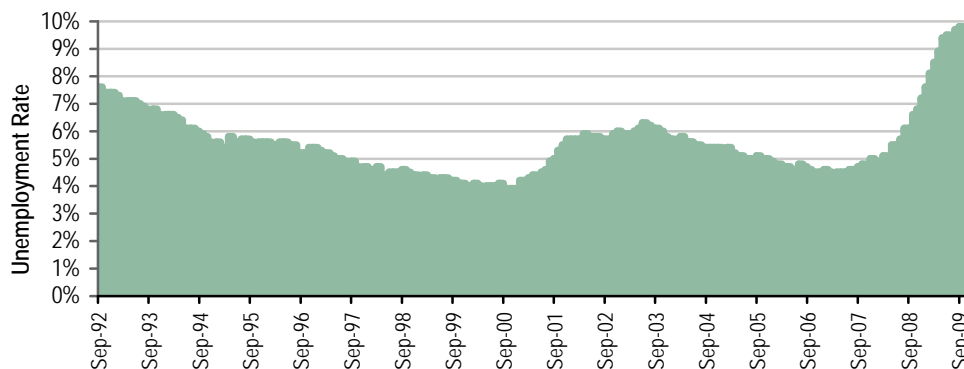
During the September 22-23 FOMC meeting, members agreed to keep the fed funds target rate steady at 0-0.25 percent to promote economic recovery and to preserve price stability. Although data suggests that economic activity has picked up following its severe downturn and financial markets have continued to improve, the FOMC members believe that the economic outlook warrants keeping interest rates at “exceptionally lower levels” for an “extended period.”

Household spending has continued to show signs of stabilizing but remains constrained by ongoing job losses, subdued income growth, lower housing wealth, and tight credit. As stated last quarter, to provide support to mortgage lending and housing markets and to improve overall conditions in private credit markets, the Federal Reserve will purchase up to \$1.25 trillion of agency mortgage-backed securities and up to \$200 billion of agency debt by the end of Q1 2010. In addition, the Federal Reserve disclosed its plans to finish purchasing \$300 billion of Treasury securities by the end of October 2009. The adjacent graph shows the fed funds target rate since September 1992.



Source: Federal Reserve Board

Labor Market Contraction and the Unemployment Rate



Source: Bureau of Labor Statistics

The labor market continued to contract during Q3 2009. After decreasing slightly in July, the unemployment rate resumed its ascent and ended the quarter at 9.8 percent, the highest rate since 1983. Nonfarm payroll employment declined by 263,000 in September. From May through September, job losses averaged 307,000 per month, compared with losses averaging 645,000 per month from November 2008 to April 2009. Since the start of the recession in December 2007, the number of unemployed has increased by 7.2 million.

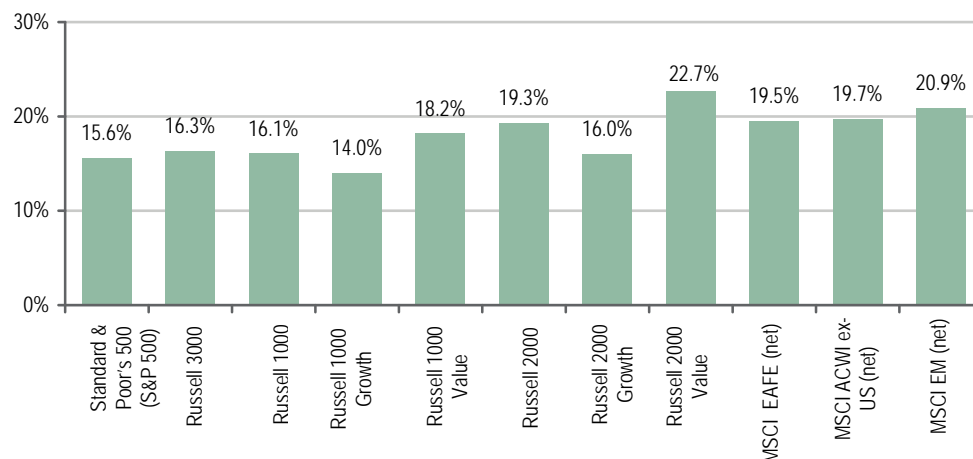
Job losses were once again experienced across almost every sector of the economy, with the largest declines occurring in manufacturing, professional and business services, and construction. There continued to be gains in the education/healthcare sector. The adjacent graph shows the unemployment rate since September 1992.

Investment Performance: Selected Rates of Return

This page presents rates of return for selected equity, fixed income, and other indices. The graphs illustrate returns for Q3 2009. The tables of data show returns for the latest quarter, year-to-date (YTD), one-, three-, five- and 10-year annualized timeframes. All data in the tables are percentages.

Equity Index Returns

Equity Index Returns: Q3 2009

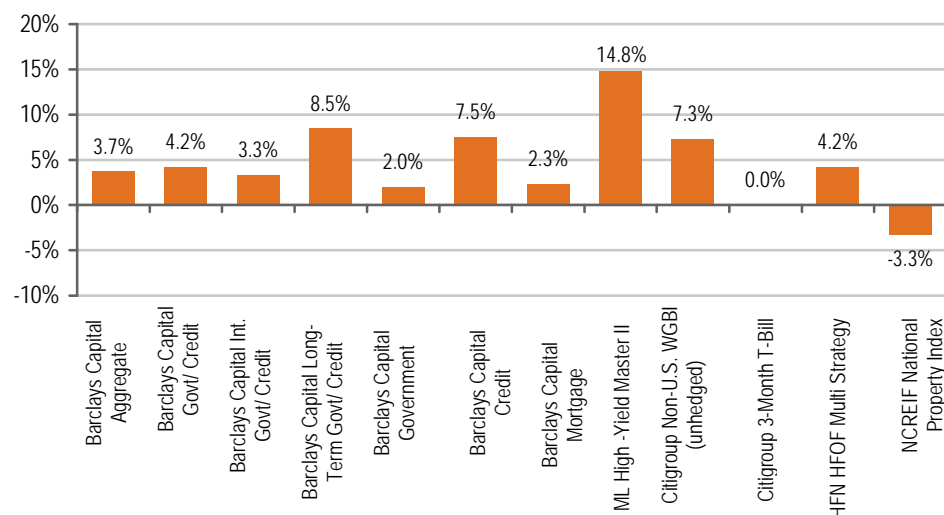


*Index represents the return of the benchmark net of dividends paid on the stocks.

Equity Indices	Quarter	YTD	1-year	3-year	5-year	10-year
Standard & Poor's 500	15.6	19.3	-6.9	-5.4	1.0	-0.2
Russell 3000	16.3	21.2	-6.4	-5.1	1.6	0.7
Russell 1000	16.1	21.1	-6.1	-5.1	1.5	0.4
Russell 1000 Growth	14.0	27.1	-1.9	-2.5	1.9	-2.6
Russell 1000 Value	18.2	14.9	-10.6	-7.9	0.9	2.6
Russell 2000	19.3	22.4	-9.6	-4.6	2.4	4.9
Russell 2000 Growth	16.0	29.1	-6.3	-2.6	2.9	1.1
Russell 2000 Value	22.7	16.4	-12.6	-6.7	1.8	8.1
MSCI EAFE (net)*	19.5	29.0	3.2	-3.6	6.1	2.5
MSCI ACWI ex-U.S. (net)*	19.7	36.4	5.9	-1.2	8.1	4.0
MSCI EM (net)*	20.9	64.5	19.1	8.0	17.3	11.4

Fixed-Income and Other Index Returns

Fixed Income and Other Index Returns: Q3 2009



Fixed Income Indices	Quarter	YTD	1-year	3-year	5-year	10-year
Barclays Capital Aggregate	3.7	5.7	10.6	6.4	5.1	6.3
Barclays Capital Govt/Credit	4.2	4.7	11.5	6.3	4.9	6.3
Barclays Capital Intermediate Govt/Credit	3.3	4.9	10.0	6.2	4.7	5.9
Barclays Capital Long-Term Govt/Credit	8.5	4.7	18.4	6.9	6.0	7.8
Barclays Capital Government	2.0	-1.2	6.7	6.8	5.2	6.2
Barclays Capital Credit	7.5	14.9	19.5	5.8	4.7	6.5
Barclays Capital Mortgage	2.3	5.3	9.9	7.4	5.9	6.4
ML High-Yield Master II	14.8	48.5	22.4	5.2	6.1	6.0
Citigroup Non-U.S. WGBI (unhedged)	7.3	6.7	16.1	10.2	7.1	6.7
Citigroup 3-Month T-Bill	0.0	0.1	0.4	2.6	3.0	3.0
Other Indices						
HFN HFOF Multi-Strategy	4.2	8.7	-2.1	-0.0	3.1	6.1
NCREIF National Property Index	-3.3	-15.1	-22.1	-1.3	6.2	7.8

Investment Performance: Equity Sector and Yield Spread Analysis

This page presents data on sector and spread analysis for Q3 2009 alongside commentary from Segal Advisors.

Equity Sector Analysis

The Financials sector continued its strong performance during Q3 2009, increasing 25.5 percent and experiencing the highest quarterly gain of all the sectors in the S&P 500 Index. The sector contributed 3.4 percent to the 15.6 percent total Index gain. Furthermore, all sectors contributed positively to the S&P 500 Index. Seven of the ten sectors experienced double-digit gains, including Financials, Consumer Discretionary, Consumer Staples, Energy, Industrials, Information Technology, and Materials. See the adjacent table.

S&P 500 Sector Performance

	Third Quarter 2009		
	Ending Weight (%)	Return (%)	Contribution (%)
Consumer Discretionary	9.2	19.3	1.7
Consumer Staples	11.5	11.4	1.4
Energy	11.7	10.1	1.2
Financials	15.2	25.5	3.4
Health care	13.1	9.5	1.4
Industrials	10.2	22.0	2.1
Information Technology	18.7	17.0	3.2
Materials	3.5	21.5	0.7
Telecom	3.2	5.6	0.2
Utilities	3.7	6.2	0.3

Source: Standard & Poor's

Option Adjusted Spreads

Option Adjusted Spreads (OAS) in Basis Points

	Option Adjusted Spreads			
	12/31/08	6/30/09	9/30/09	10 Year Average OAS
U.S. Aggregate Index	213	107	82	75
U.S. Agency (Non-mortgage) Sector	93	41	33	43
Mortgage and ABS Sectors:				
• Mortgage-Backed Securities	145	36	38	61
• Asset-Backed Securities	955	344	149	160
• CMBS	1010	763	537	195
Credit Sectors:				
• U.S. Investment Grade	493	275	218	174
– Industrial	500	244	176	173
– Utility	537	263	200	178
– Financial Institutions	629	425	288	175
• U.S. High Yield	1669	945	764	614

Source: Baird Advisors using Barclays Capital Data

*As a reminder, 10 bps equals 0.1 percent.

**OAS is the yield spread of bonds versus Treasury yields taking into consideration differing bond options.

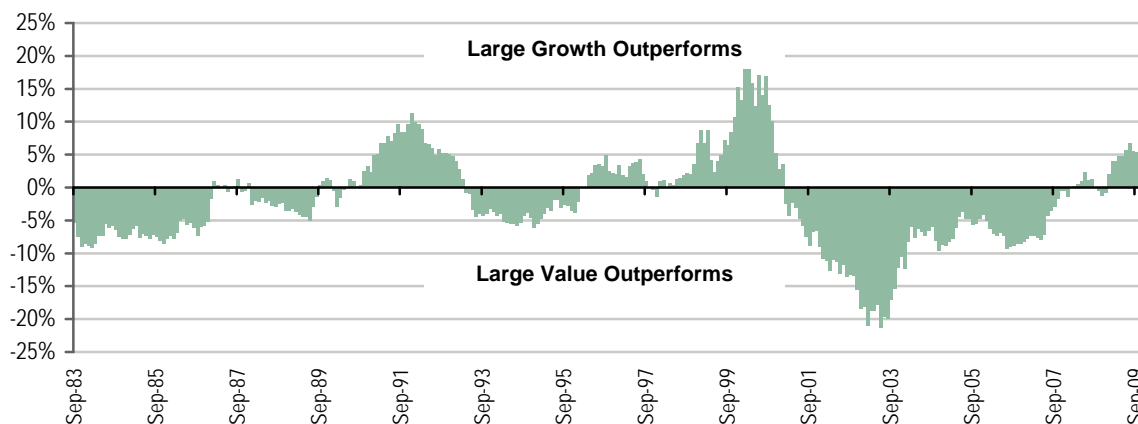
The Government backed purchases of Agency debentures and Agency mortgage-backed securities, along with continued interest and extension of the Term Asset-Backed Securities Loan Facility (TALF) and Public-Private Investment Program (PPIP) programs have brought investors back to the fixed income markets. The aforementioned programs have caused yield spreads across all but one non-Treasury sector to tighten sharply during Q3 2009. The one sector in which spreads expanded was the MBS sector that compressed to 36 bps in Q2 2009, and at the end of Q3 2009 stood at 38 bps. The CMBS sector has tightened, yet investors are still cautious due to concerns over pending maturities and continued deterioration of commercial property fundamentals. The investment grade and U.S. High Yield credit segments continued to perform well; however, spreads for all sectors remain above long-term averages.

Investment Performance: Long-Term Equity Trends

Segal Advisors observes the relative performance of selected indices. All of the graphs on this page show rolling three-year return deviations from September 1983 through September 2009. These graphs demonstrate the importance of diversification over the long term. Changes are expressed in terms of percentages and/or bps.

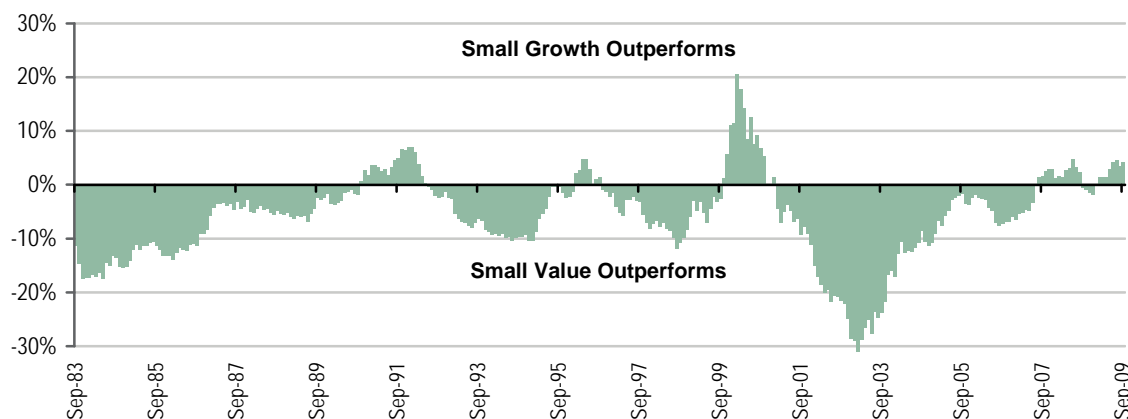
Large Growth Stocks vs. Large Value Stocks

Large growth stocks continued to outperform large value stocks during Q3 2009, as the Russell 1000 Growth (R1000G) outpaced the Russell 1000 Value (R1000V) in rolling three-year periods over the last nine months. The R1000G outpaced the R1000V on a trailing one-year basis (+877 bps) and on a trailing three-year basis (+537 bps). The adjacent graph compares the rolling three-year returns for both indices. Since the inception of these indices in January 1979, the R1000V increased 12.0 percent and the R1000G increased 10.3 percent, a difference of 1.7 percent.



Source: Russell Investments

Small Growth Stocks vs. Small Value Stocks

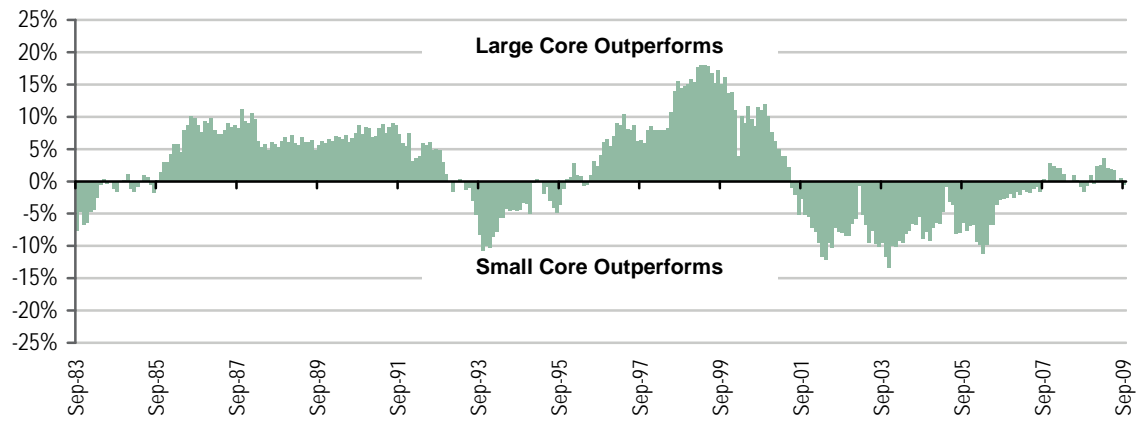


Source: Russell Investments

Similar to large cap stocks, the Russell 2000 Growth (R2000G) outpaced the Russell 2000 Value (R2000V) in rolling three-year periods over the last nine months. The R2000G outperformed the R2000V on a trailing one-year (+632 bps) and a trailing three-year basis (+405 bps). The adjacent graph compares the rolling three-year returns for both indices. Since the inception of these indices in January 1979, the R2000V increased 13.3 percent and the R2000G increased 8.8 percent, a difference of 4.5 percent.

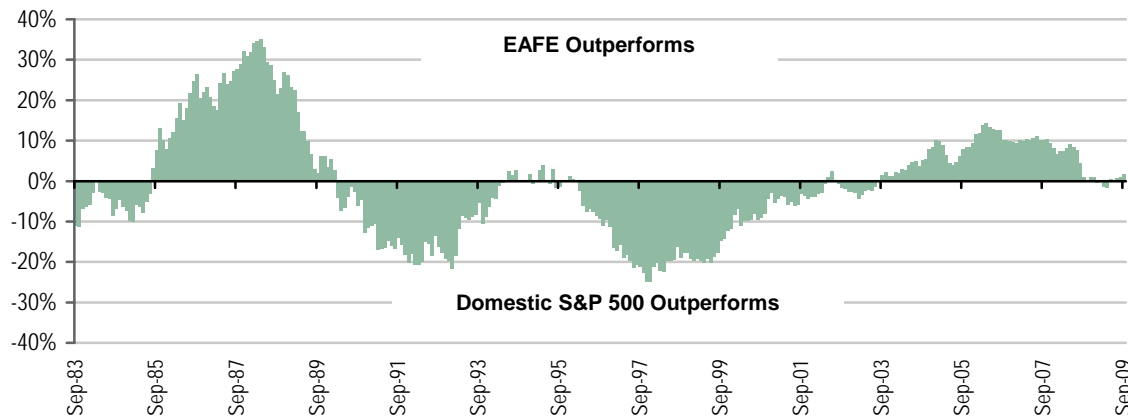
Large Stocks vs. Small Stocks

After several periods of relative underperformance, small cap stocks outperformed large cap stocks over the latest three-year rolling period; however, the Russell 1000 (R1000) has outpaced the Russell 2000 (R2000) on a trailing one-year basis (+341 bps). The adjacent graph compares the rolling three-year returns for both indices. Since the inception of these indices in January 1979, the R1000 increased 11.4 percent and the R2000 increased 11.3 percent, a difference of 0.1 percent.



Source: Russell Investments

Foreign Stocks vs. U.S. Stocks



Sources: Morgan Stanley Capital International and Standard & Poor's

International stocks continued to outperform domestic stocks in rolling three-year periods over the past six months. The MSCI EAFE outpaced the S&P 500 on a trailing one-year basis (+1015 bps) and on a trailing three-year basis (+182 bps). Since January 1979, the S&P 500 increased 11.3 percent and the MSCI EAFE increased 9.6 percent, a difference of 1.7 percent. The adjacent graph compares the rolling three-year returns for both indices.

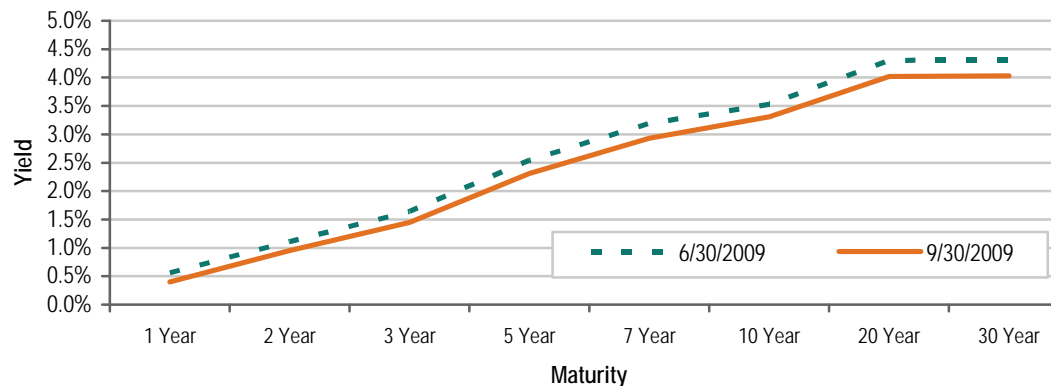
Investment Performance: Fixed Income and Alternative Asset Class Data

Page 7 and page 8 focus on selected fixed-income and alternative asset class data along with Segal Advisors' commentary.

Yield Curve Flattening

During Q3 2009, 30-year Treasury yields fell by 28 bps. While yields are still higher on a year-to-date basis, the decline in yields during Q3 partially reflects the impact of strategically timed Government purchases of Treasury, Agency and Agency mortgage-backed securities.

The Treasury curve flattened modestly during Q3 (30-year yield down 28 bps to 4.05 percent, 2-year yield down 16 bps to 0.95 percent) with the difference between 2- and 30-year yields declining to 310 bps from 322 bps on June 30, 2009. The curve remains considerably steeper than at year-end 2008 when the 2- and 30-year spread was 192 bps.



Source: U.S. Treasury Department

Sharp Tightening of Credit Spreads

Moody's Corporate-Treasury Bond Spread Baa 10-Yr Constant Maturities



Source: Moody's Economy.com

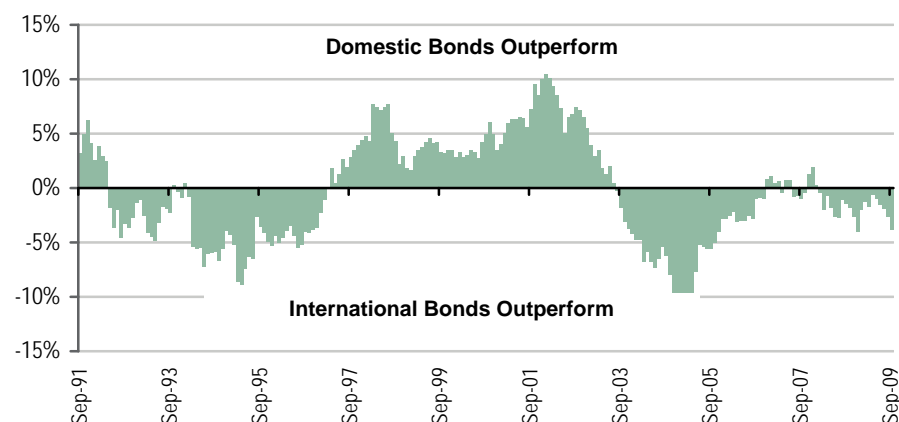
During Q3 2009, credit spreads narrowed to end the quarter at 291 bps over Treasuries. The tightening of spreads can be attributed to an increased appetite for risk exhibited by investors during the quarter and the continued strong cash flow into the bond market.

International Bond and Domestic Bond Performance

In Q3 2009, international bonds continued to outperform domestic bonds. For the one-year trailing period, international bonds lead domestic bonds by 540 bps. On a rolling three-year and ten-year basis, global bonds have outperformed domestic bonds by 376 bps and 37 bps, respectively.

(Barclays Aggregate-
Citigroup Non-US WGBI)

Performance of U.S. Bonds vs. International Bonds: Rolling Three-Year Return Deviations
September 1991 – September 2009



Source: Barclays Capital and Citigroup

Private Real Estate Sector and Region Performance

National Property Index Sector and Region Performance

	Returns as of the Third Quarter 2009		
	% Weight of Index	Quarter (%)	1-year (%)
NCREIF NPI Total Return	100%	-3.3	-22.1
Sector			
Apartment	24.2	-3.0	-23.0
Hotel	2.0	-4.5	-26.4
Industrial	15.2	-3.9	-22.4
Office	36.4	-3.3	-24.5
Retail	22.2	-3.1	-15.8
NCREIF Region			
East	33.1	-2.4	-23.5
Midwest	10.6	-2.4	-17.9
South	21.2	-3.2	-18.9
West	35.1	-4.5	-23.7

Source: National Council of Real Estate Investment Fiduciaries

The NCREIF Property Index (NPI) lost 3.3 percent for Q3 2009 and 22.1 percent for the trailing one-year period. The Q3 2009 loss marks the third quarter in a row in which the pace of decline slowed. The peak loss occurred during Q4 2008 (loss of 8.3 percent), which was the worst quarterly decline since NCREIF started compiling results in 1978. During the third quarter, the hotel and industrial sectors were hit the hardest, due to the continued decline in leisure and business travel and the slowdown in global trade. The regions with the largest declines were the West and East, both of which had experienced the greatest value appreciation during the recent real estate boom.

Quarterly Highlights: Noteworthy Developments

Segal Advisors finds the Q3 2009 developments discussed below to be noteworthy for institutional investors.

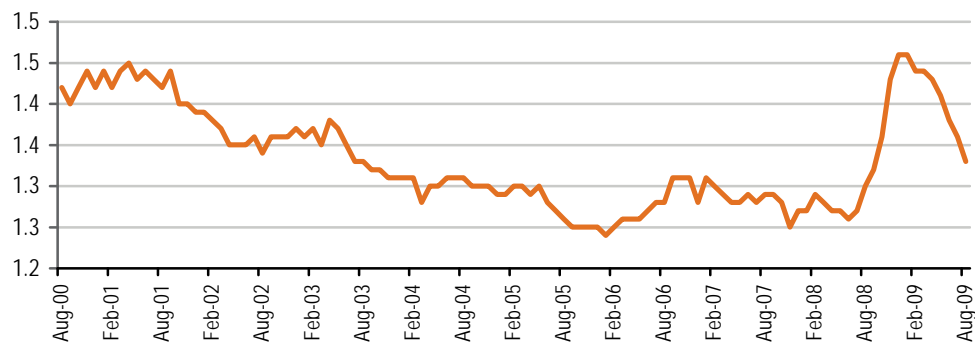
Total Business Inventories/Sales Ratio

For twelve consecutive months, business inventories have been declining and are currently at the lowest level since December 2005. Total business inventories fell by 1.5% in August, compared with a 1.1% decline in the prior month. The decline in inventories can be attributed to the 7.9 percent drop in inventories within the auto sector. Outside of autos, the pace of inventory cutbacks appears to be slowing.

Total business sales rose 1.0 percent in August after a 0.3 increase in July, with the only decline occurring among manufacturers.

The decrease in inventories combined with the increase in sales has resulted in a total business inventories-to-sales (I/S) ratio of 1.33 in August, compared to 1.36 in July. The I/S ratio measures how many months it takes for businesses to sell off inventories based on the latest monthly sales rate, as shown on the adjacent graph. Over the last year, businesses have been depleting their inventories, but at some point, business will have to replenish their stockrooms before they are left with nothing to sell.

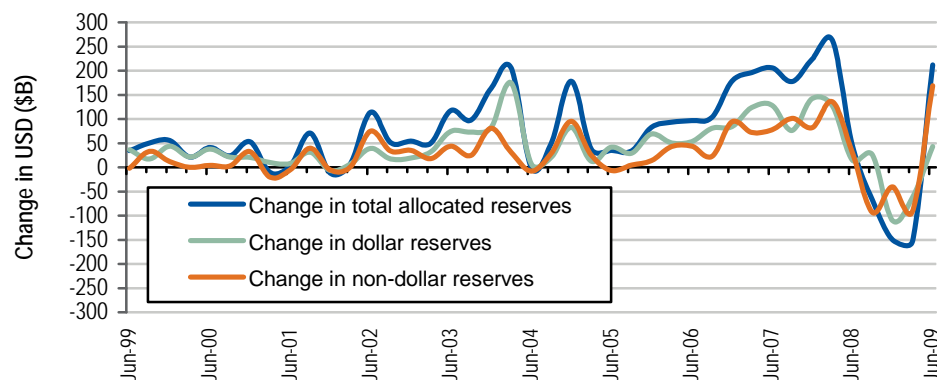
Total Business Inventories/Sales Ratio (SA)



Source: U.S. Census Bureau

Dollar's Reserve Status

Quarterly Change in Foreign Exchange Holdings of Reserve Banks



Source: International Monetary Fund

The adjacent graph displays the quarterly change in the foreign exchange holdings of reserve banks of the world according to the currency composition of official foreign exchange reserves (COFER) data compiled by the IMF. This data consists of information received from 33 developed and 107 emerging countries.

As shown in the adjacent graph, during Q2 2009, the increase in the dollar reserves substantially lagged the increase in non-dollar reserves. This is the first time since the IMF started compiling the quarterly data in 1999 that central banks have accumulated more than \$100B (includes all currencies) of reserves in a quarter, with the USD's share of this accumulation being less than 30%. It appears central banks are worried about the mounting U.S. debt and U.S. government's ability to pay it back. In a bid to hedge against the possibility of a further devaluation of the dollar, the central banks are ramping up their holdings in Euros and the Yen. Conversely, a cheaper U.S. dollar could be good for its manufacturing and export industries, which can be instrumental in a longer-term economic recovery.

U.S. Stock Market Valuation

As seen in the accompanying chart, the U.S. stock market, as represented by the S&P 500 Index, could be considered overvalued based on underlying company fundamentals.

For example, comparing the "9/30/09" column to 1-year ago and historical averages, P/E and P/CF are trading well above historical averages, while P/S and E/P are currently trading below historical averages, highlighting that the U.S. stock market may be overbought based on underlying fundamentals.

Since March 9, 2009, the S&P 500 Index is up over 56 percent, and has experienced the highest seven straight months of gains since October 1938 (+55 percent). Conversely, over the past twenty-four months, company earnings have fallen by more than 90 percent, making this the largest decline on record (the data goes back to 1936).

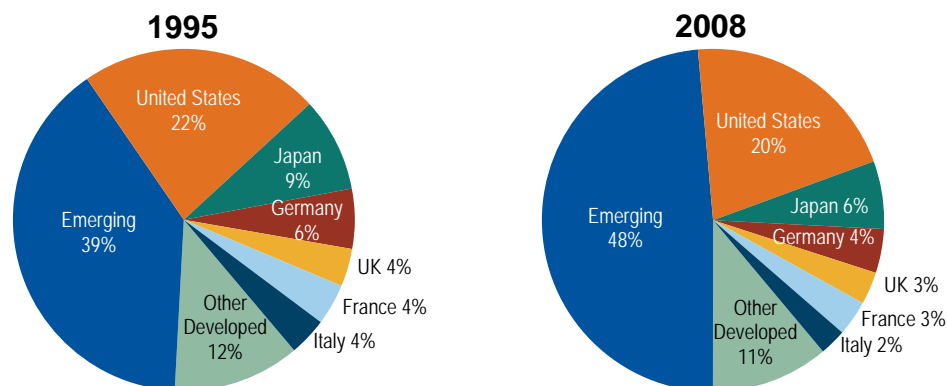
S&P 500 Index Valuation Measures

Valuation Measures	Description	9/30/09	Historical Averages					
			1-year ago	3-year average	5-year average	10-year average	15-year average	20-year average
P/E	Price to Earnings	26.6x	18.4	18.0	17.5	20.4	20.3	19.6
P/B	Price to Book	2.4x	2.3	2.5	2.6	3.0	3.2	3.0
P/FCF	Price to Free Cash Flow	34.5x	17.5	15.7	15.3	16.6	15.0	12.7
P/S	Price to Sales	1.1x	1.1	1.2	1.3	1.5	1.5	1.5
E/P	Earnings Yield	3.8%	5.4	5.6	5.7	4.9	4.9	5.1
Div. Yield	Dividend Yield	2.1%	2.4	2.2	2.1	1.8	1.8	2.1

Source: J.P. Morgan

Developing Economies Gaining Share of Global GDP

Global GDP Breakdown: 1995 vs. 2008



Source: International Monetary Fund

From 1995 to 2008, the face of the global economy has changed as developing economies have gained a larger share of global GDP. As depicted in the adjacent pie charts, emerging economies' share of global GDP has risen dramatically from approximately 39 percent to 48 percent, from 1995 to 2008. An increase in the emerging economies' share has elevated the role that developing nations play in the global economy and worldwide economic recovery.

For example, China's share of global GDP has increased from 5.7 percent to 11.4 percent over 13 years. During 2009, China's government stimulus played an important role in China's GDP growth; however, private domestic demand has also contributed to GDP growth, with retail sales increasing at a 17 percent year-over-year rate. Consensus and official forecasts show China and India at the top of global GDP growth forecasts for both 2009 and 2010, indicating that the U.S. consumer may not be the main engine of economic demand going forward.

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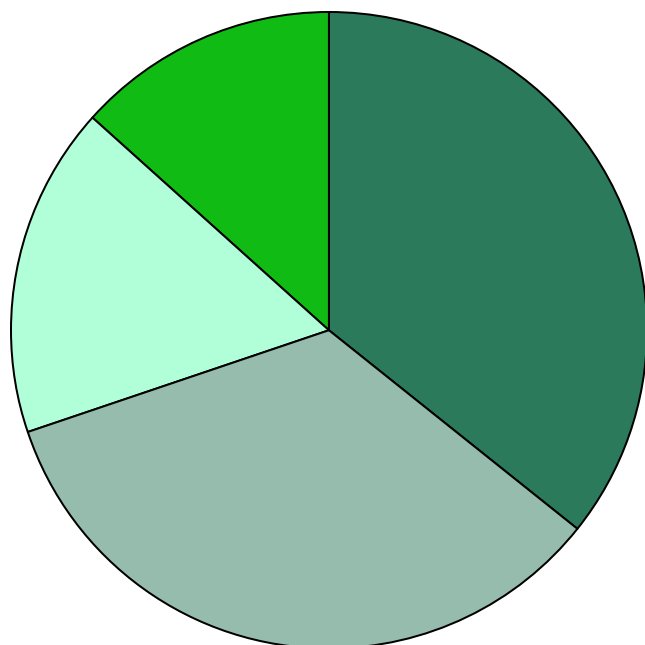
Investment Manager Roster

Investment Manager	Mandate	Benchmark	Inception Date
Principal Global Investors, LLC	Large Cap	S&P 500 Index	01/01/1995
Manning & Napier Advisors, Inc.	Small Cap	Russell 2000 Index	04/01/2008
Principal Global Investors, LLC	International Core	MSCI EAFE Net Index	01/01/1995
Principal Global Investors, LLC	Fixed Income Core	Barclays Capital Aggregate Bond Index	01/01/1995
Prudential Real Estate Investors	Real Estate	NCREIF ODCE Equal Weighted Index	04/01/2008

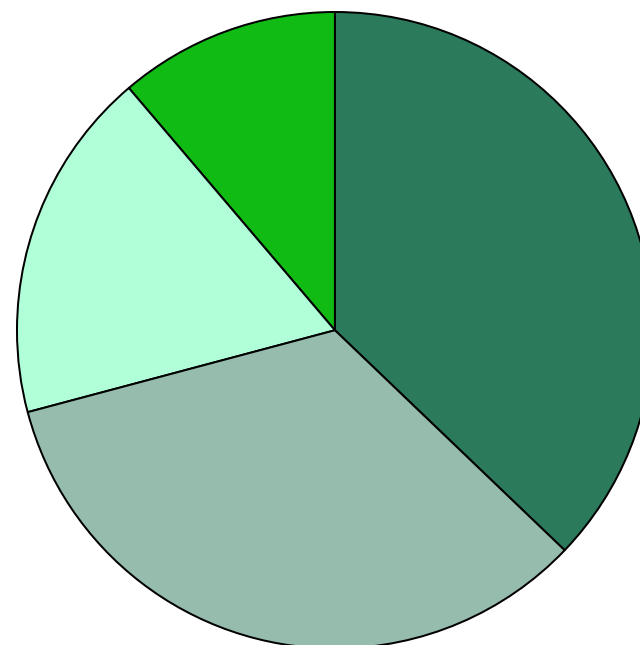
Asset Allocation Policy

Asset Class	Minimum	Target	Maximum
Domestic Equity	20%	25%	30%
Small Cap Core	10%	15%	20%
International Core	15%	20%	25%
Fixed Income Core	20%	25%	30%
Real Estate	10%	15%	20%

June 30, 2009 : \$44,885,121



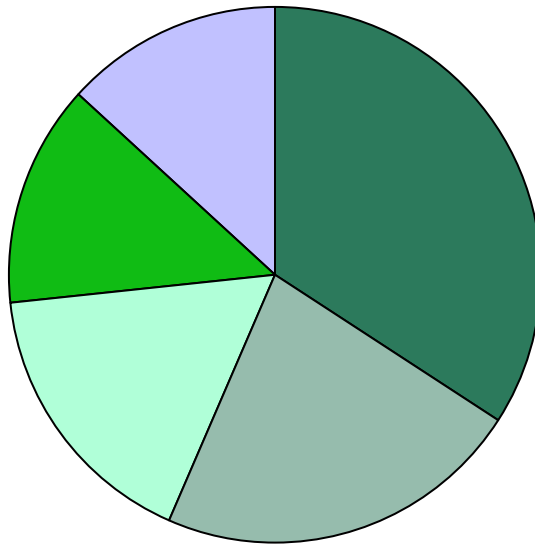
September 30, 2009 : \$49,007,219



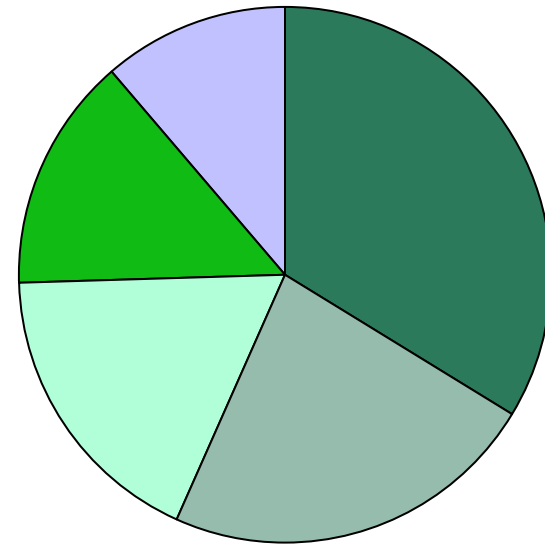
Segments	Market Value (\$)	Allocation (%)
Domestic Equity	16,024,020	35.70
Domestic Fixed Income	15,324,014	34.14
International Equity	7,530,329	16.78
Real Estate	6,006,758	13.38

Segments	Market Value (\$)	Allocation (%)
Domestic Equity	18,218,235	37.17
Domestic Fixed Income	16,513,394	33.70
International Equity	8,752,381	17.86
Real Estate	5,523,209	11.27

June 30, 2009 : \$44,885,121



September 30, 2009 : \$49,007,219



	Market Value (\$)	Allocation (%)
Principal Bond and Mortgage	15,324,014	34.14
Principal Large Cap Stock Index	10,068,523	22.43
Principal International Stock	7,530,329	16.78
Prudential Real Estate Investors	6,006,758	13.38
Manning & Napier	5,955,497	13.27

	Market Value (\$)	Allocation (%)
Principal Bond and Mortgage	16,513,394	33.70
Principal Large Cap Stock Index	11,273,421	23.00
Principal International Stock	8,752,381	17.86
Manning & Napier	6,944,814	14.17
Prudential Real Estate Investors	5,523,209	11.27

	Allocation		Performance %						
	Market Values (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Since Inception	Inception Date
Composite	49,007,219	100.00	10.74	12.85	-7.32	-4.96	0.94	2.31	01/01/2002
Policy Index			10.12	10.62	-4.91	-2.19	2.59	3.09	
All Public Plans < \$1B-Total Fund Median			11.53	16.02	1.50	-0.42	4.04	N/A	
Percentile Rank			63	78	100	100	100	N/A	
Principal Large Cap Stock Index	11,273,421	23.00	15.44	19.20	-7.16	-5.67	0.82	7.80	01/01/1995
S&P 500			15.61	19.26	-6.91	-5.43	1.02	7.76	
US Core/Large Cap Equity (SA+CF) Median			15.25	19.17	-6.53	-4.86	1.94	N/A	
Percentile Rank			42	50	64	75	86	N/A	
Manning & Napier	6,944,814	14.17	16.61	42.37	-4.32	N/A	N/A	-12.17	04/01/2008
Russell 2000 Index			19.28	22.43	-9.55	-4.57	2.41	-6.81	
US Core/Small Cap Equity (SA+CF) Median			18.55	23.35	-8.37	-4.49	2.89	N/A	
Percentile Rank			74	10	29	N/A	N/A	N/A	
Principal International Stock	8,752,381	17.86	17.63	22.81	-4.26	-4.80	7.55	9.40	01/01/1995
MSCI EAFE (net)			19.47	28.97	3.23	-3.60	6.07	4.85	
International Active Equity (SA+CF) Median			18.77	28.84	3.63	-1.81	7.56	N/A	
Percentile Rank			65	83	90	86	51	N/A	
Principal Bond and Mortgage	16,513,394	33.70	9.32	19.22	11.13	2.98	3.35	7.00	01/01/1995
Barclays Capital Aggregate			3.74	5.72	10.56	6.41	5.13	6.90	
US Broad Market Core Fixed Income (SA+CF) Median			4.71	8.98	12.53	6.73	5.40	N/A	
Percentile Rank			1	2	73	94	94	N/A	
Prudential Real Estate Investors	5,523,209	11.27	-7.80	-32.42	-42.20	N/A	N/A	-30.12	04/01/2008
NCREIF ODCE Equal Weighted			-8.20	-27.64	-36.09	-7.90	1.76	-25.77	

	Allocation		Performance %						
	Market Values (\$)	%	2008	2007	2006	2005	2004	2003	2002
Composite	49,007,219	100.00	-32.49	6.53	13.66	6.44	9.71	17.89	-6.01
Policy Index			-24.92	6.99	13.21	5.40	9.97	21.11	-10.37
All Public Plans < \$1B-Total Fund Median			-23.17	7.15	12.78	6.72	11.08	22.33	-8.56
Percentile Rank			99	70	42	58	71	90	14
Principal Large Cap Stock Index	11,273,421	23.00	-37.22	5.21	15.44	4.92	10.83	28.53	-22.12
S&P 500			-37.00	5.49	15.79	4.91	10.88	28.68	-22.10
US Core/Large Cap Equity (SA+CF) Median			-36.61	6.30	15.77	6.78	11.69	28.80	-21.29
Percentile Rank			63	70	58	82	69	59	70
Manning & Napier	6,944,814	14.17	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Russell 2000 Index			-33.79	-1.57	18.37	4.55	18.33	47.25	-20.48
US Core/Small Cap Equity (SA+CF) Median			-34.77	-1.11	16.20	8.04	20.85	45.24	-14.83
Percentile Rank			N/A	N/A	N/A	N/A	N/A	N/A	N/A
Principal International Stock	8,752,381	17.86	-45.89	16.43	27.97	25.37	22.19	34.99	-14.65
MSCI EAFE (net)			-43.38	11.17	26.34	13.54	20.25	38.59	-15.94
International Active Equity (SA+CF) Median			-42.87	13.42	26.90	16.37	19.69	38.35	-14.30
Percentile Rank			72	34	42	7	37	66	53
Principal Bond and Mortgage	16,513,394	33.70	-13.06	3.78	4.79	3.24	5.60	5.76	10.50
Barclays Capital Aggregate			5.24	6.97	4.34	2.43	4.34	4.11	10.27
US Broad Market Core Fixed Income (SA+CF) Median			3.47	6.94	4.47	2.73	4.51	4.54	10.31
Percentile Rank			98	96	18	11	4	14	42
Prudential Real Estate Investors	5,523,209	11.27	N/A	N/A	N/A	N/A	N/A	N/A	N/A
NCREIF ODCE Equal Weighted			-10.37	16.09	16.15	20.18	12.64	9.11	5.34

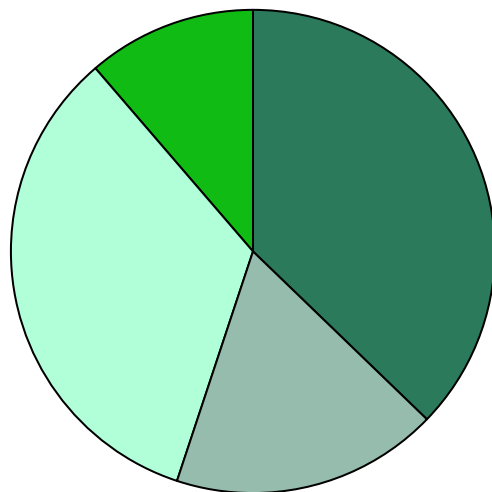
Manager Profile

Benchmark: Policy Index

Inception Date: January 1, 2002

Asset Allocation by Segment

September 30, 2009 : \$49,007,219



Segments	Market Value (\$)	Allocation (%)
Domestic Equity	18,218,235	37.17
International Equity	8,752,381	17.86
Domestic Fixed Income	16,513,394	33.70
Real Estate	5,523,209	11.27

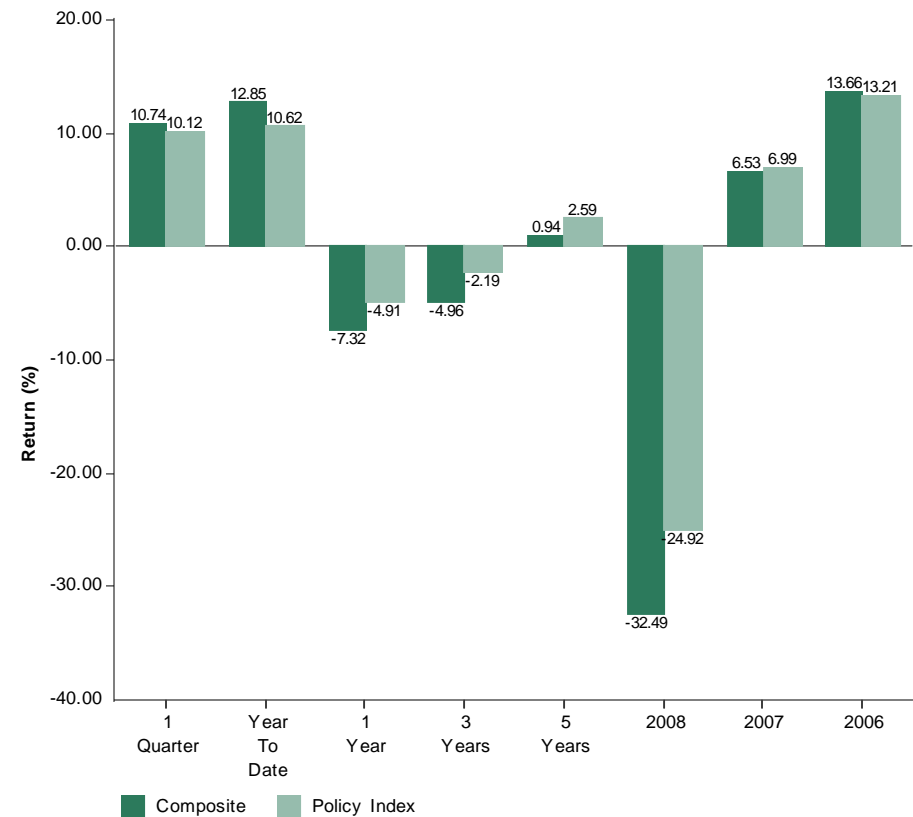
Cash allocation includes accrued income for the entire portfolio.

Gain / Loss Summary

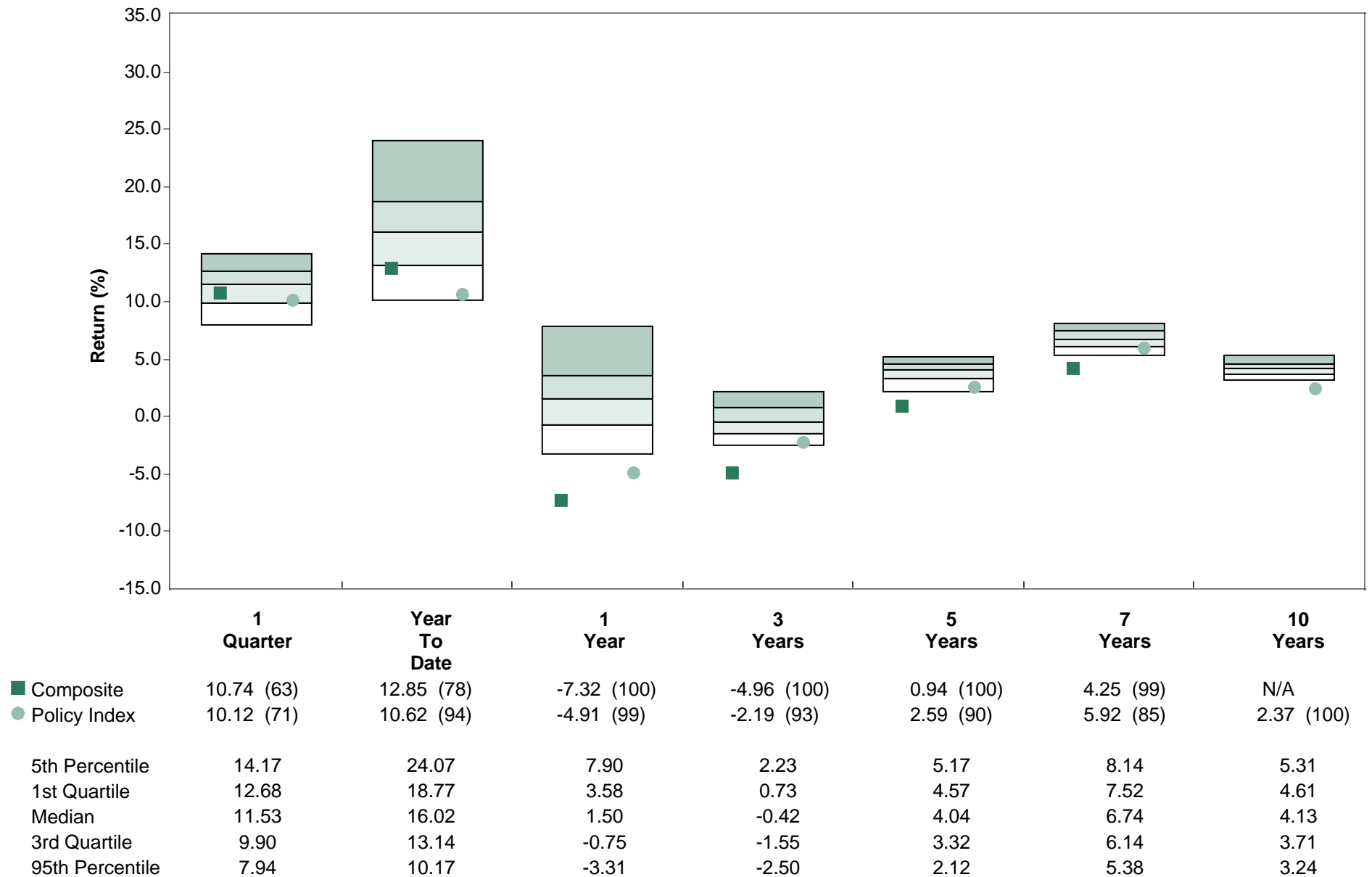
	1 Quarter	Year To Date	1 Year
Composite			
Beginning Market Value	44,885,121	42,990,157	52,914,201
Net Contributions	-644,902	311,798	-219,251
Fees/Expenses	-15,843	-52,665	-52,665
Income	116,289	240,436	240,436
Gain/Loss	4,666,552	5,517,492	-3,875,503
Ending Market Value	49,007,219	49,007,219	49,007,219

Income includes income received and change in accrued income.

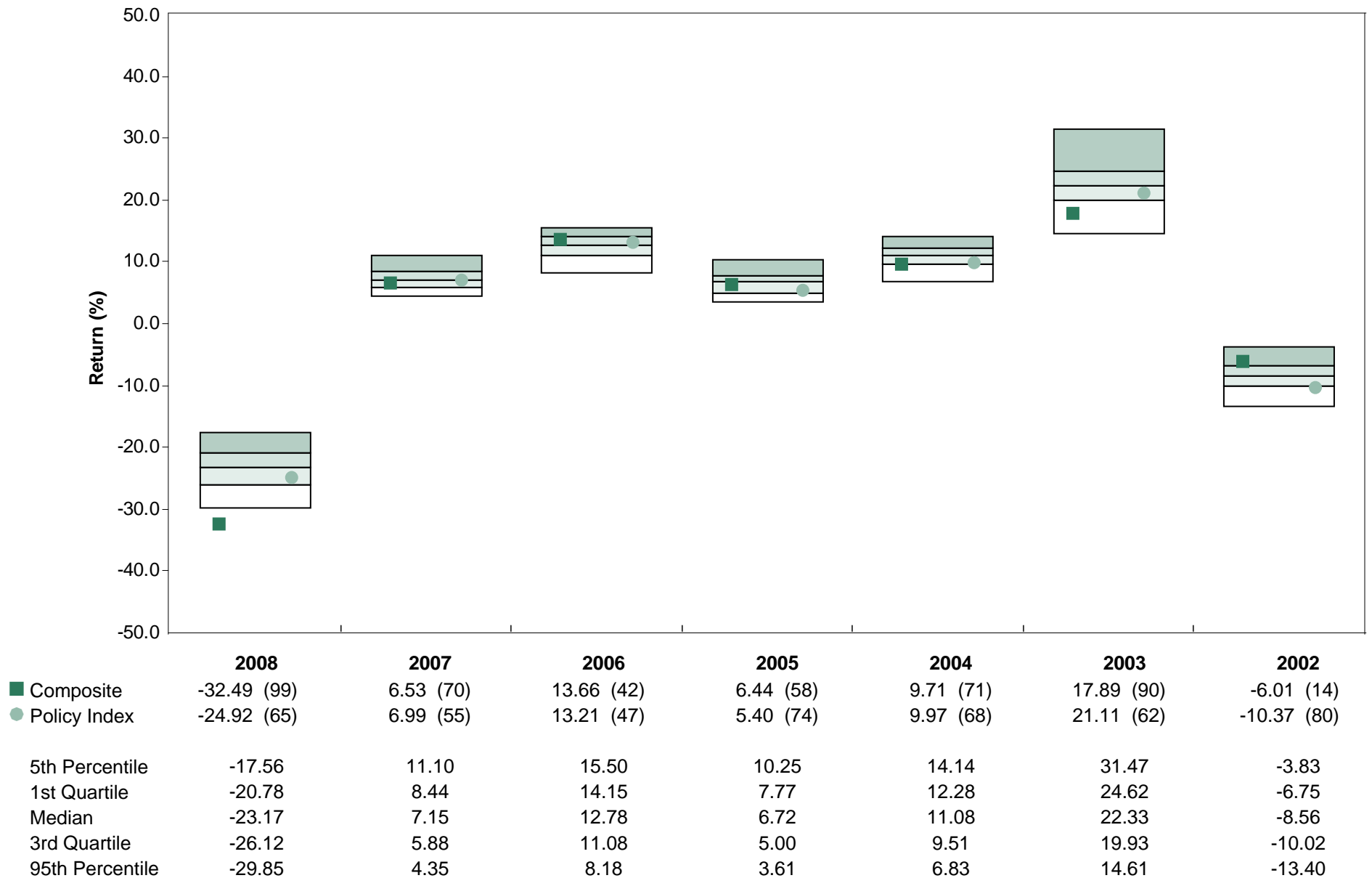
Performance Bar Chart



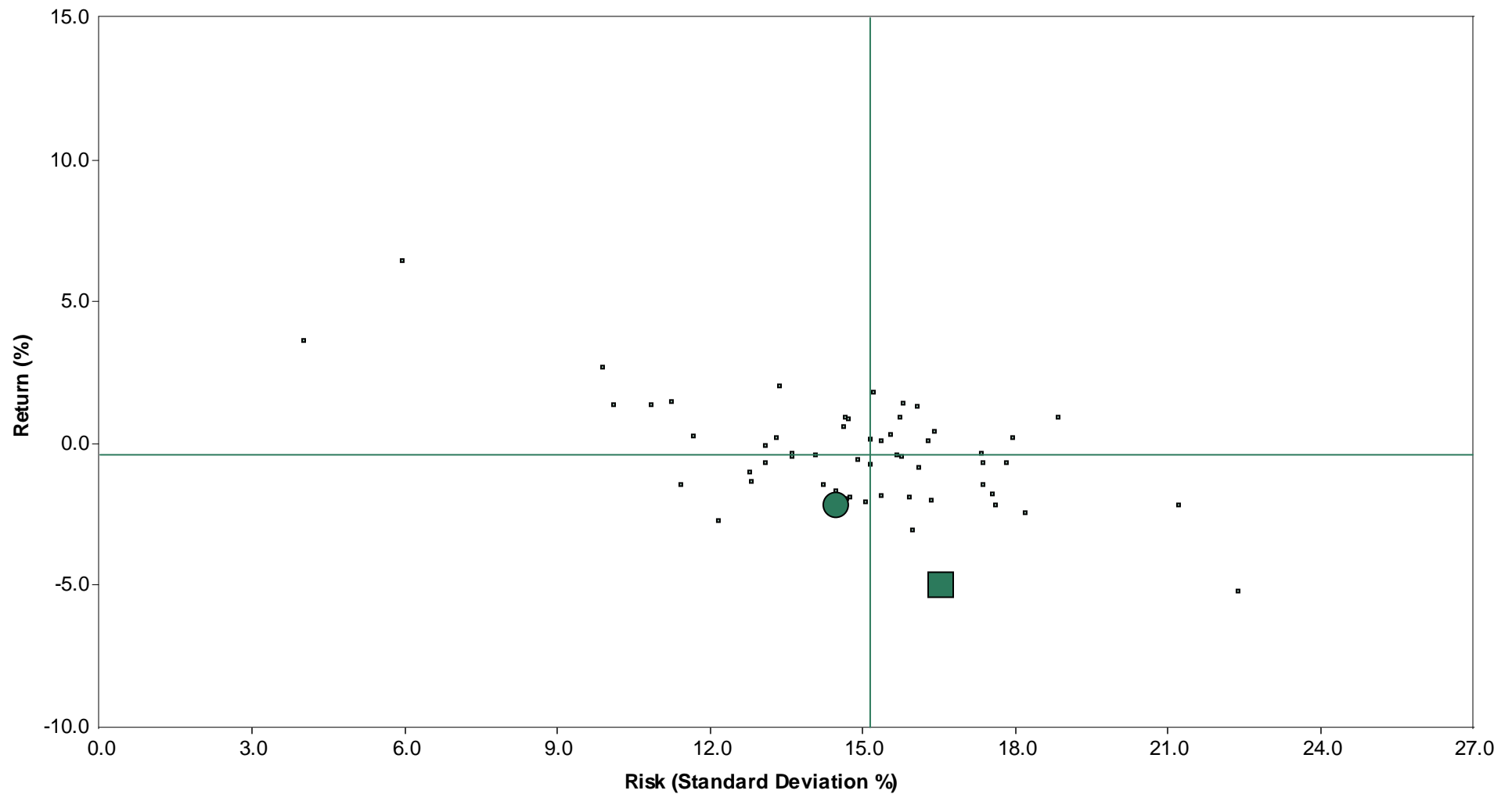
Allocation Mandate	Weight (%)
Effective Date: Jan-1995	
S&P 500 Index	50.00
Barclays Capital Aggregate	35.00
MSCI EAFE (Net)	15.00
Effective Date: Apr-2008	
S&P 500 Index	25.00
Barclays Capital Aggregate	25.00
MSCI EAFE (Net)	20.00
Russell 2000 Index	15.00
NCREIF ODCE Equal Weighted	15.00



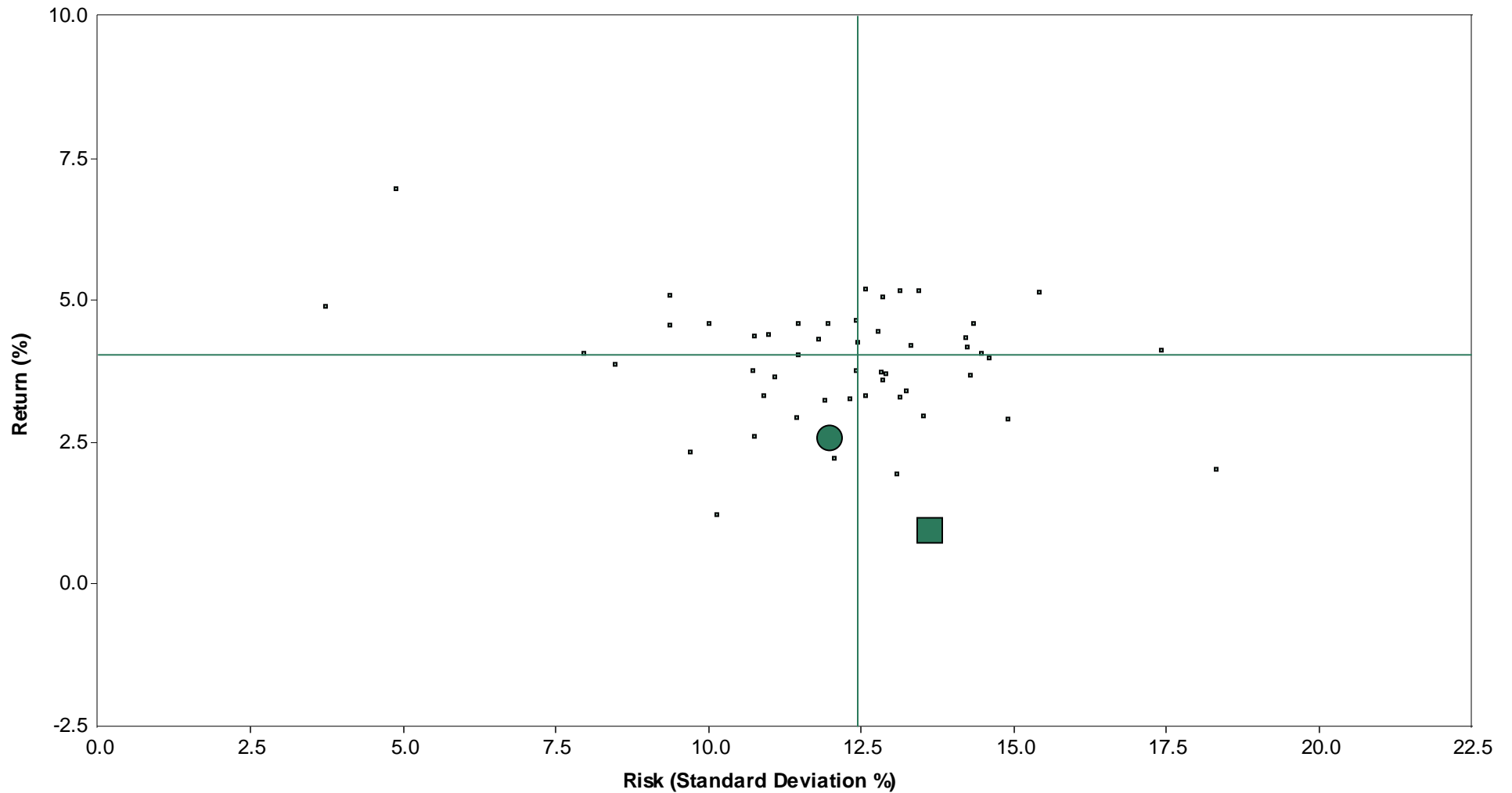
Parentheses contain percentile rankings.
Calculation based on monthly periodicity.



Parentheses contain percentile rankings.
Calculation based on quarterly periodicity.



	Return	Standard Deviation
■ Composite	-4.96	16.54
● Policy Index	-2.19	14.48
— Median	-0.42	15.13



	Return	Standard Deviation
■ Composite	0.94	13.63
● Policy Index	2.59	11.99
— Median	4.04	12.44

Calendar Years	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	%Return
From 02/2002	-	-	-	39,233,833	N/A
2003	39,233,833	-	6,846,203	46,080,036	17.89
2004	46,080,036	-	4,796,275	50,876,311	9.71
2005	50,876,311	-398,198	3,418,539	53,896,652	6.44
2006	53,896,652	-324,056	7,356,426	60,929,022	13.66
2007	60,929,022	-580,112	4,031,612	64,380,522	6.53
2008	64,380,522	-1,062,417	-20,327,948	42,990,157	-32.49
To 09/2009	42,990,157	259,133	5,757,928	49,007,219	12.85

Manager Profile

Style: Large Cap

Benchmark: S&P 500 Index

Peer Group: US Core/Large Cap Equity (SA + CF)

Inception Date: January 1, 1995

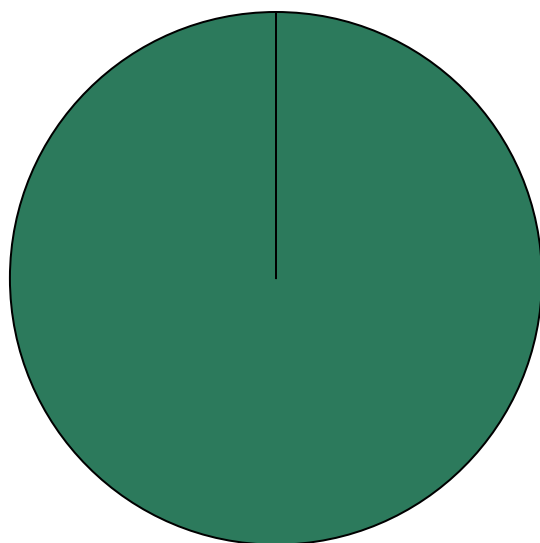
Gain / Loss Summary

	1 Quarter	Year To Date	1 Year
Principal Large Cap Stock Index			
Beginning Market Value	10,068,523	9,150,842	12,026,685
Net Contributions	-322,439	152,966	-101,917
Fees/Expenses	-	-	-
Income	-	-	-
Gain/Loss	1,527,337	1,969,613	-651,347
Ending Market Value	11,273,421	11,273,421	11,273,421

Income includes income received and change in accrued income.

Asset Allocation by Segment

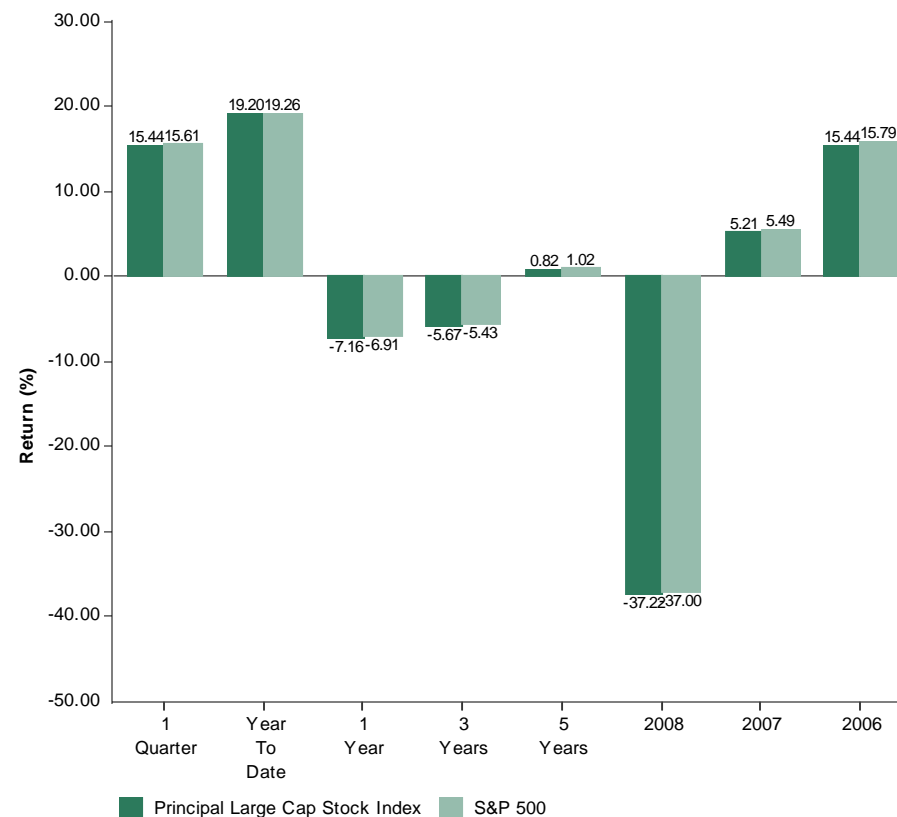
September 30, 2009 : \$11,273,421



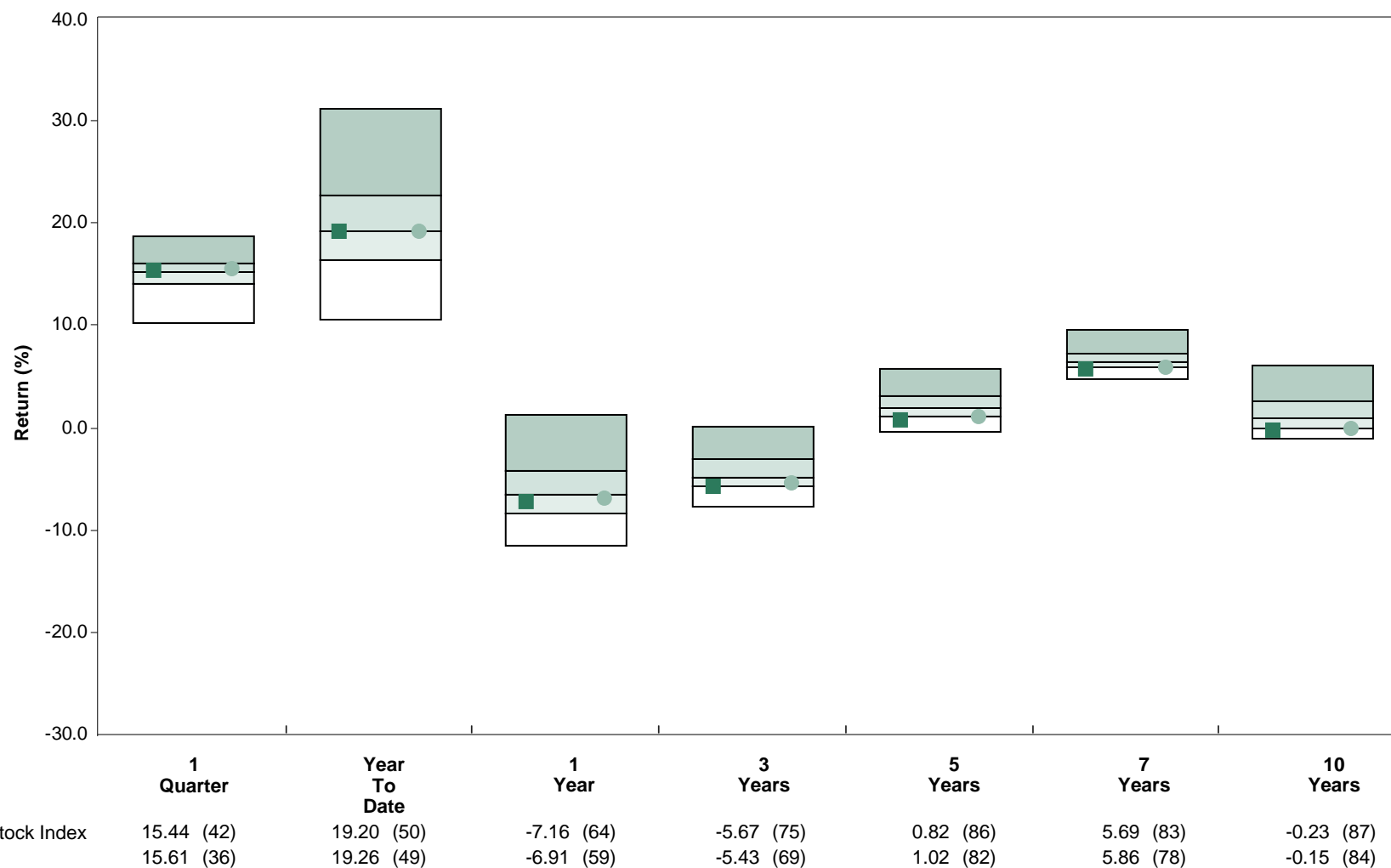
Segments	Market Value (\$)	Allocation (%)
■ Domestic Equity	11,273,421	100.00

Cash allocation includes accrued income for the entire portfolio.

Performance Bar Chart



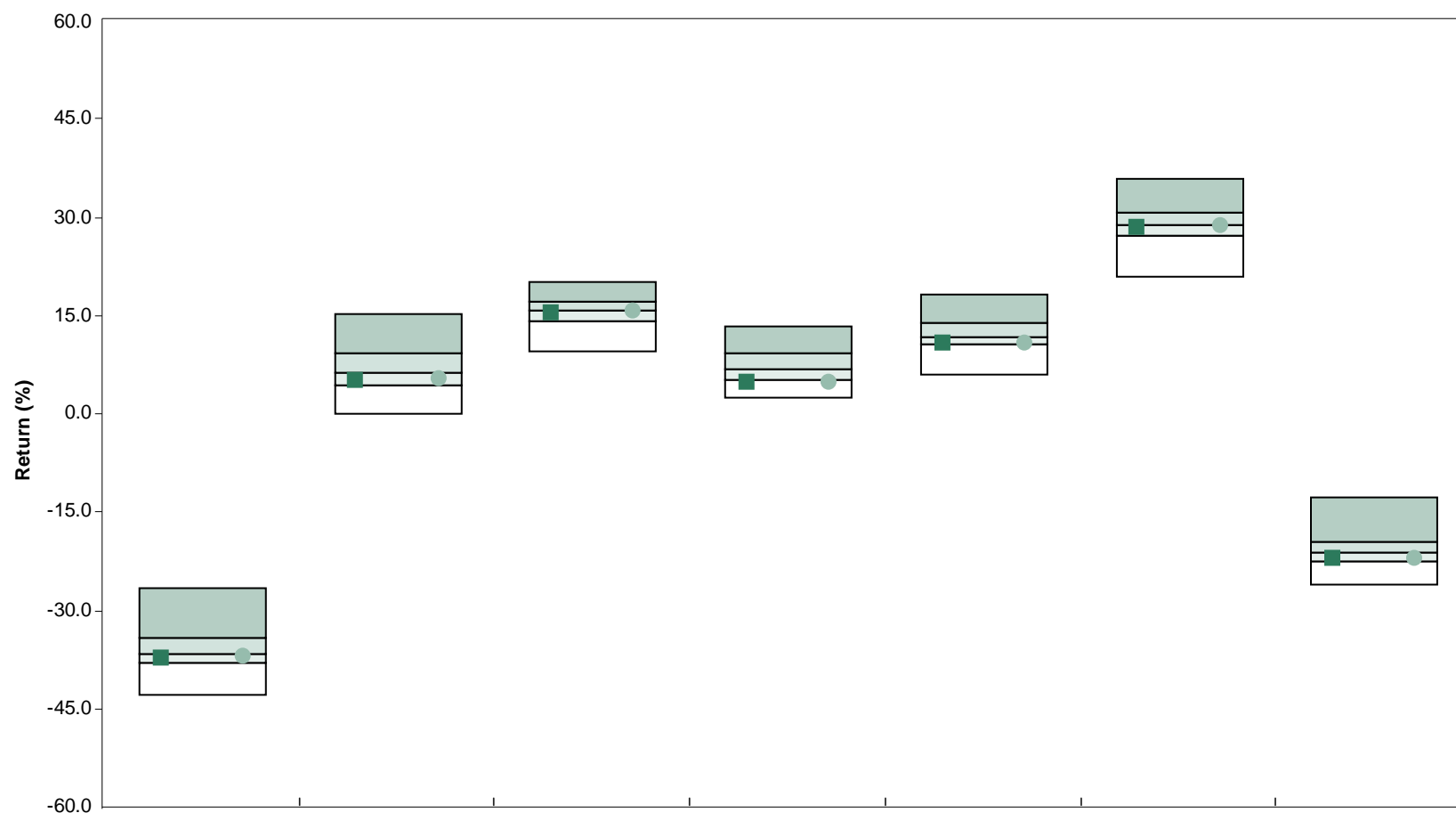
Peer Group Analysis - US Core/Large Cap Equity (SA+CF)



5th Percentile
1st Quartile
Median
3rd Quartile
95th Percentile

18.64	31.17	1.22	0.09	5.80	9.56	6.08
16.01	22.66	-4.21	-3.10	3.12	7.25	2.65
15.25	19.17	-6.53	-4.86	1.94	6.44	0.85
14.14	16.32	-8.32	-5.72	1.10	5.89	-0.07
10.25	10.59	-11.47	-7.76	-0.44	4.72	-1.00

Peer Group Analysis - US Core/Large Cap Equity (SA+CF)

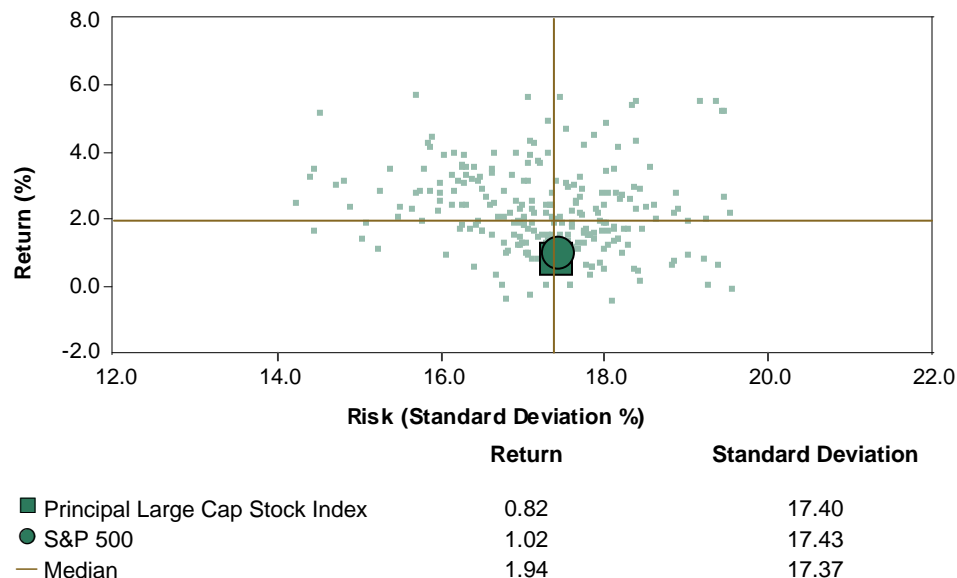


■ Principal Large Cap Stock Index
● S&P 500

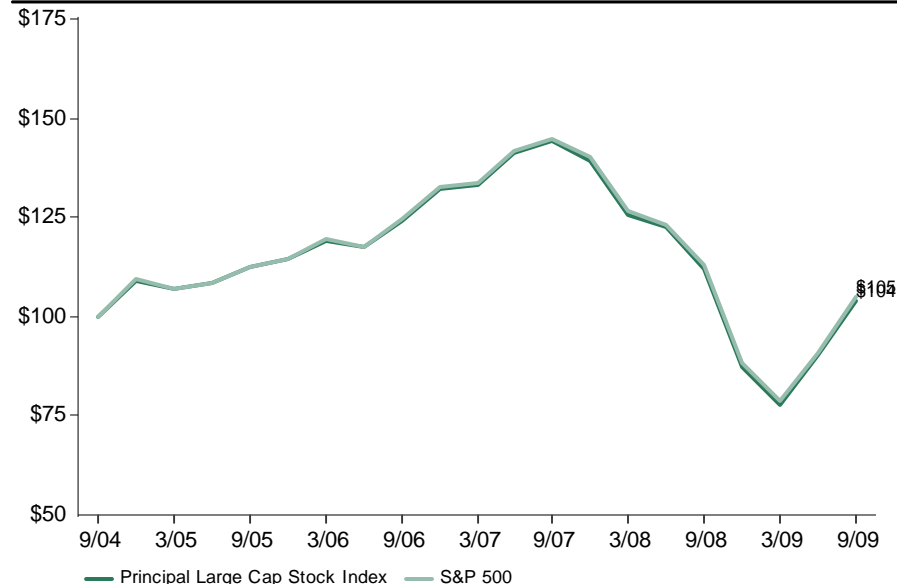
	2008	2007	2006	2005	2004	2003	2002
Principal Large Cap Stock Index	-37.22 (63)	5.21 (70)	15.44 (58)	4.92 (82)	10.83 (69)	28.53 (59)	-22.12 (70)
S&P 500	-37.00 (59)	5.49 (68)	15.79 (50)	4.91 (82)	10.88 (67)	28.68 (55)	-22.10 (70)

5th Percentile	-26.66	15.28	20.15	13.29	18.32	35.71	-12.80
1st Quartile	-34.23	9.13	17.06	9.18	13.90	30.59	-19.43
Median	-36.61	6.30	15.77	6.78	11.69	28.80	-21.29
3rd Quartile	-38.08	4.39	14.08	5.06	10.47	27.15	-22.50
95th Percentile	-42.89	-0.01	9.48	2.50	6.03	20.90	-26.15

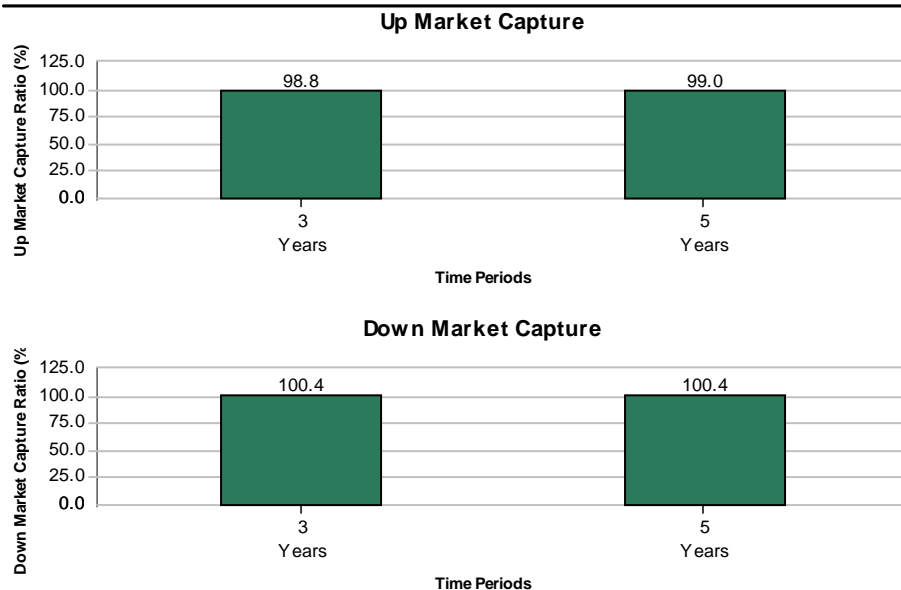
Peer Group Scattergram (10/01/04 to 09/30/09)



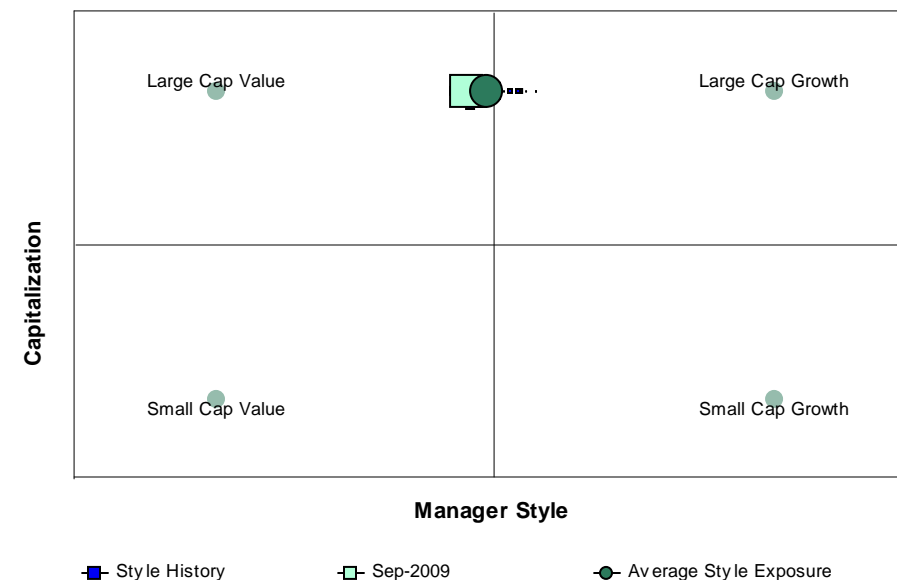
Growth of a Dollar (10/01/04 to 09/30/09)



3 & 5 Year Up / Down Market Capture



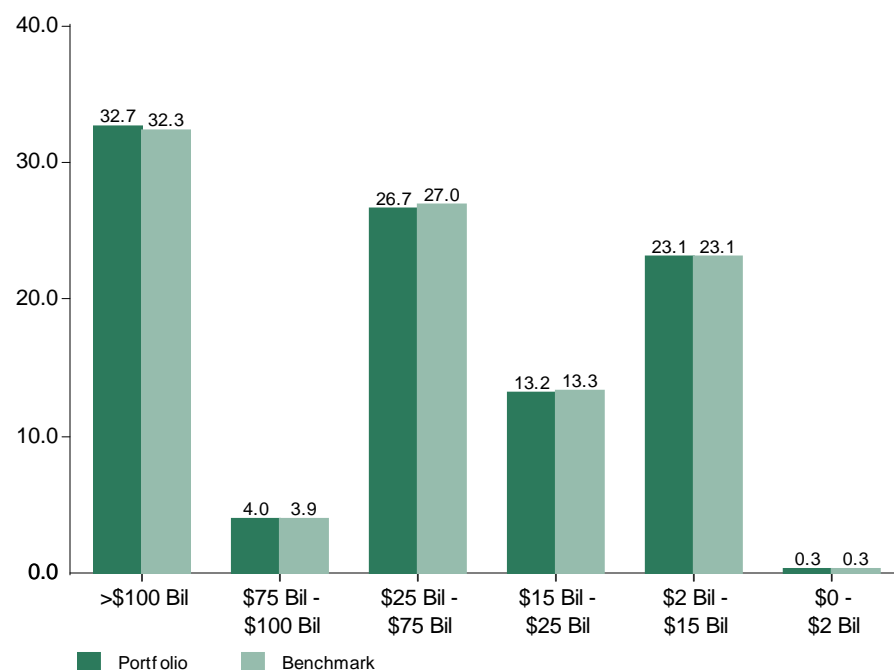
Style Analysis



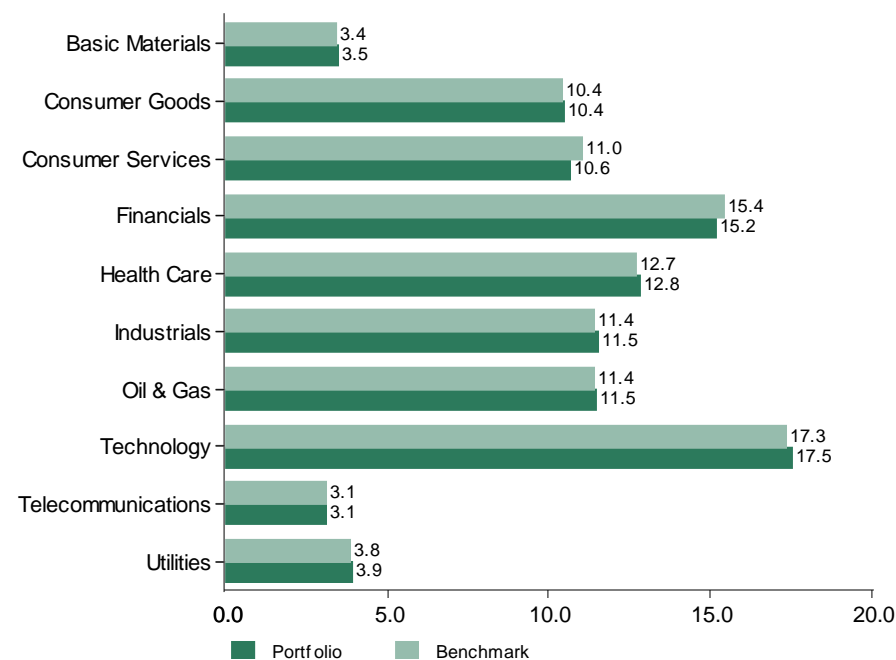
Top Ten Equity Holdings	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
EXXON MOBIL CORPORATION	3.57	3.53	0.04	-1.26
MICROSOFT CORPORATION	2.16	2.14	0.02	8.77
GENERAL ELECTRIC COMPANY	1.89	1.87	0.02	40.96
JPMORGAN CHASE & CO.	1.87	1.85	0.02	28.63
PROCTER & GAMBLE CO (THE)	1.83	1.81	0.02	14.24
JOHNSON & JOHNSON	1.82	1.80	0.02	8.07
APPLE COMPUTER, INC.	1.80	1.78	0.02	30.13
AT&T INC.	1.72	1.71	0.02	10.44
INT'L BUSINESS MACHS	1.70	1.68	0.02	15.08
BANK OF AMERICA CORPORATION	1.58	1.57	0.02	28.26
% of Portfolio	19.94	19.74		

Portfolio Characteristics	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$)	76,794,938,684	76,224,914,755
Median Mkt. Cap. (\$)	7,924,893,000	7,943,100,000
Price/Earnings ratio	16.90	16.87
Price/Book ratio	2.47	2.45
5 Yr. EPS Growth Rate (%)	17.29	17.46
Current Yield (%)	2.69	2.69
Beta (5 yrs, monthly periodicity)	0.47	1.00
Number of Stocks	498	500

Distribution of Market Capitalization (%)



Sector Weights (%)



Calendar Years	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	%Return
2002	-	-	-	15,562,469	N/A
2003	15,562,469	-	6,703,688	22,266,157	28.53
2004	22,266,157	-	3,991,375	26,257,532	10.83
2005	26,257,532	243,995	2,004,461	28,505,988	4.92
2006	28,505,988	1,065,550	4,511,846	34,083,384	15.44
2007	34,083,384	407,138	1,828,961	36,319,483	5.21
2008	36,319,483	-20,204,224	-6,964,417	9,150,842	-37.22
To 09/2009	9,150,842	152,966	1,969,613	11,273,421	19.20

Gain/Loss includes income received and change in accrued income for the period.

Manager Profile

Style: Small Cap

Benchmark: Russell 2000 Index

Peer Group: US Core/Small Cap Equity (SA + CF)

Inception Date: March 1, 2008

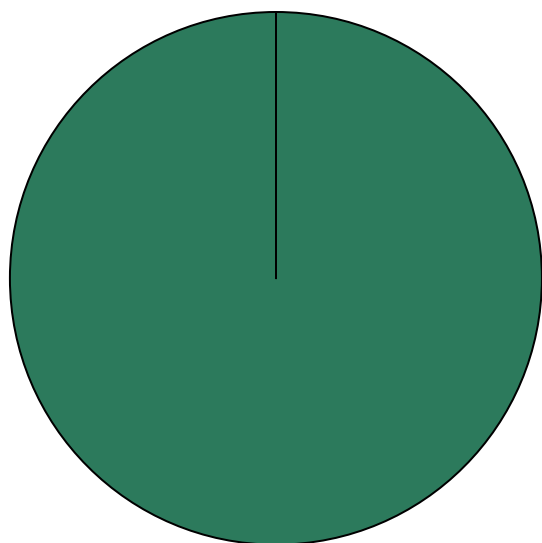
Gain / Loss Summary

	1 Quarter	Year To Date	1 Year
Manning & Napier			
Beginning Market Value	5,955,497	4,878,022	7,258,261
Net Contributions	-	-	-
Fees/Expenses	-	-	-
Income	-	-	-
Gain/Loss	989,317	2,066,792	-313,447
Ending Market Value	6,944,814	6,944,814	6,944,814

Income includes income received and change in accrued income.

Asset Allocation by Segment

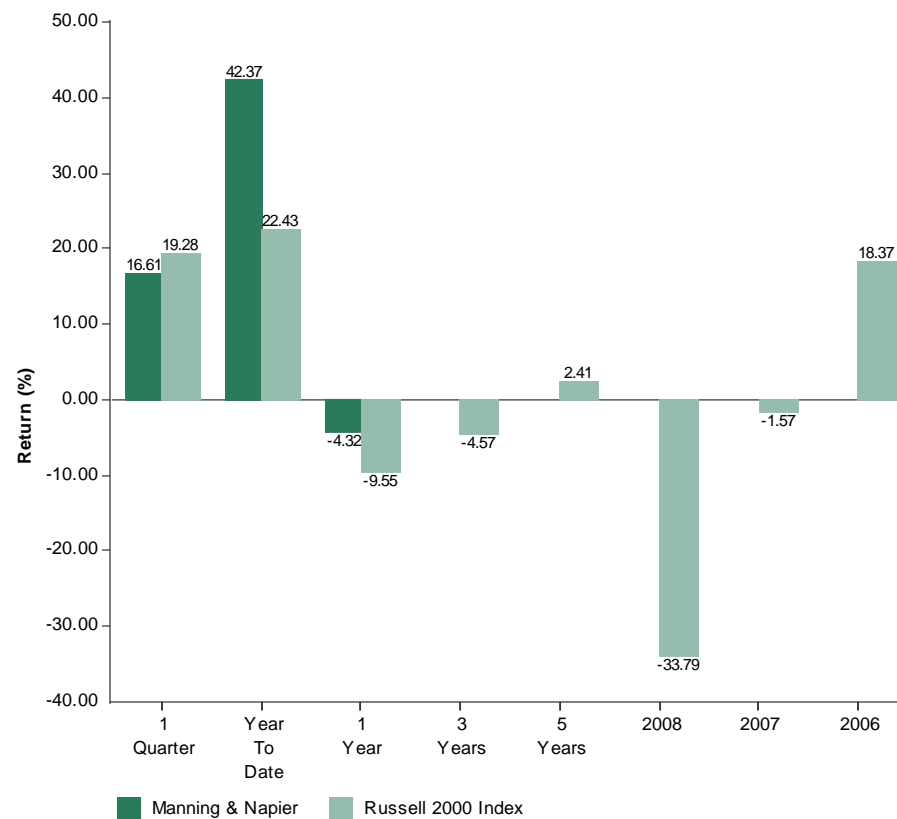
September 30, 2009 : \$6,944,814



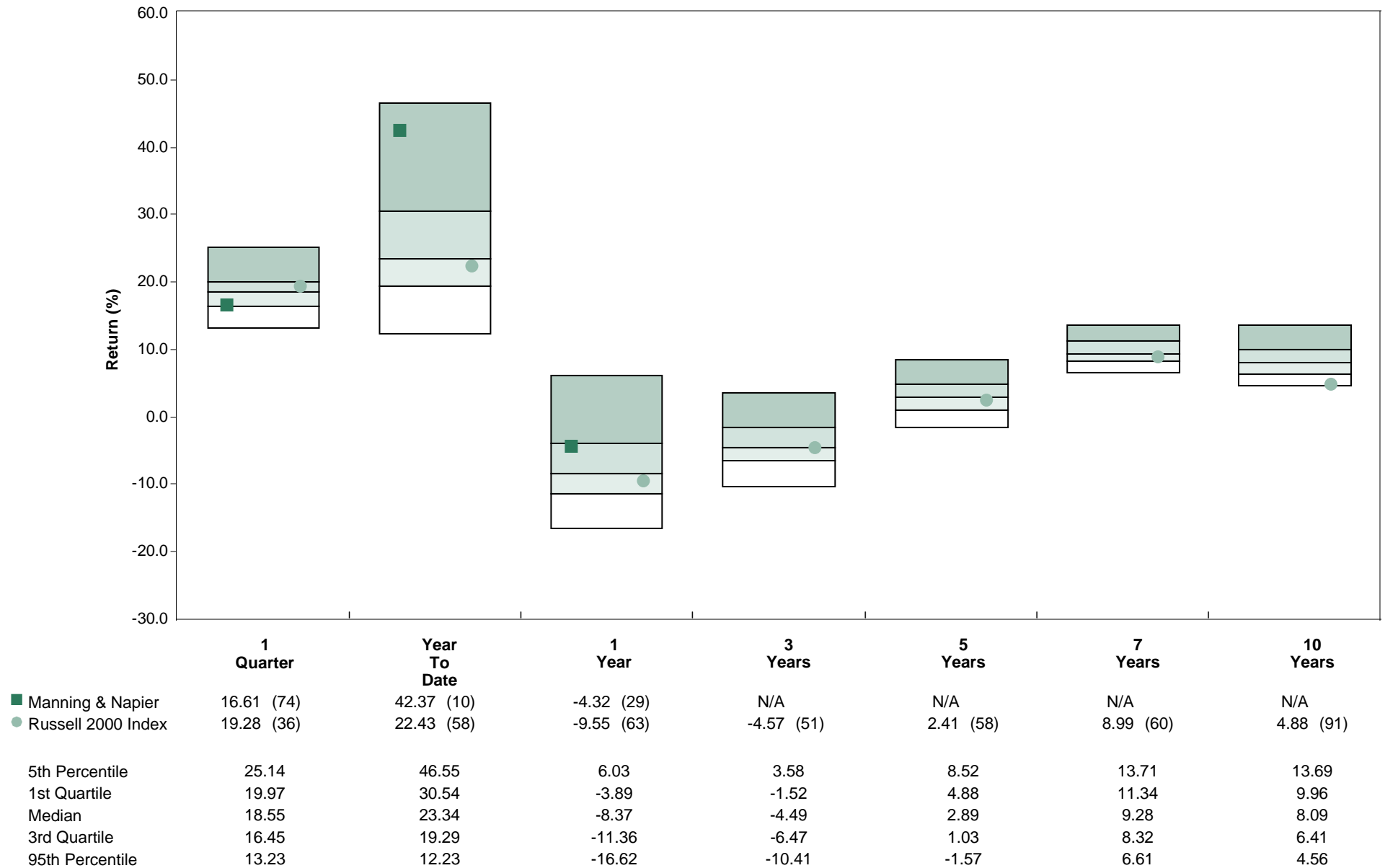
Segments	Market Value (\$)	Allocation (%)
Domestic Equity	6,944,814	100.00

Cash allocation includes accrued income for the entire portfolio.

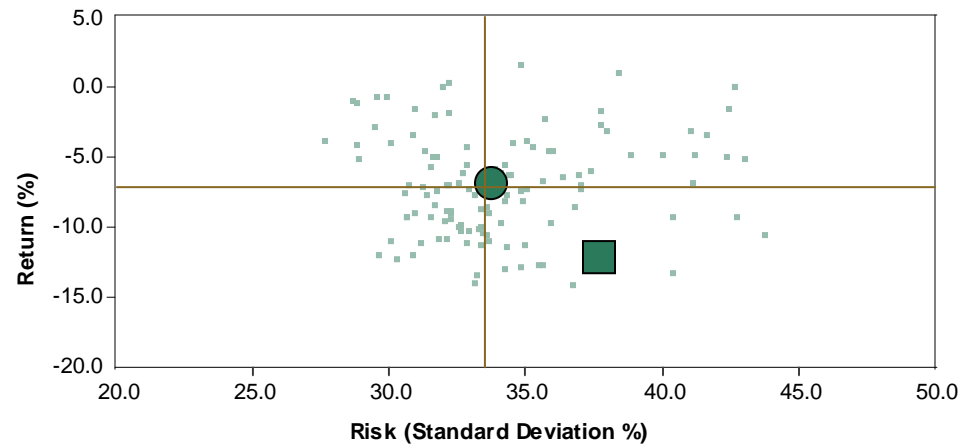
Performance Bar Chart



Peer Group Analysis - US Core/Small Cap Equity (SA+CF)



Peer Group Scattergram (04/01/08 to 09/30/09)

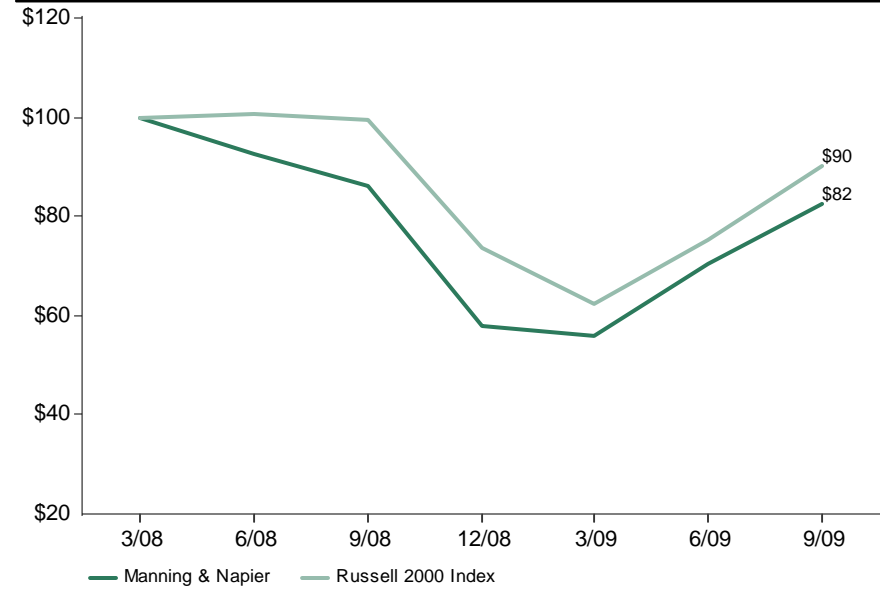


	Return	Standard Deviation
Manning & Napier	-12.17	37.64
Russell 2000 Index	-6.81	33.73
Median	-7.13	33.50

3 & 5 Year Up / Down Market Capture

Insufficient data.

Growth of a Dollar (04/01/08 to 09/30/09)



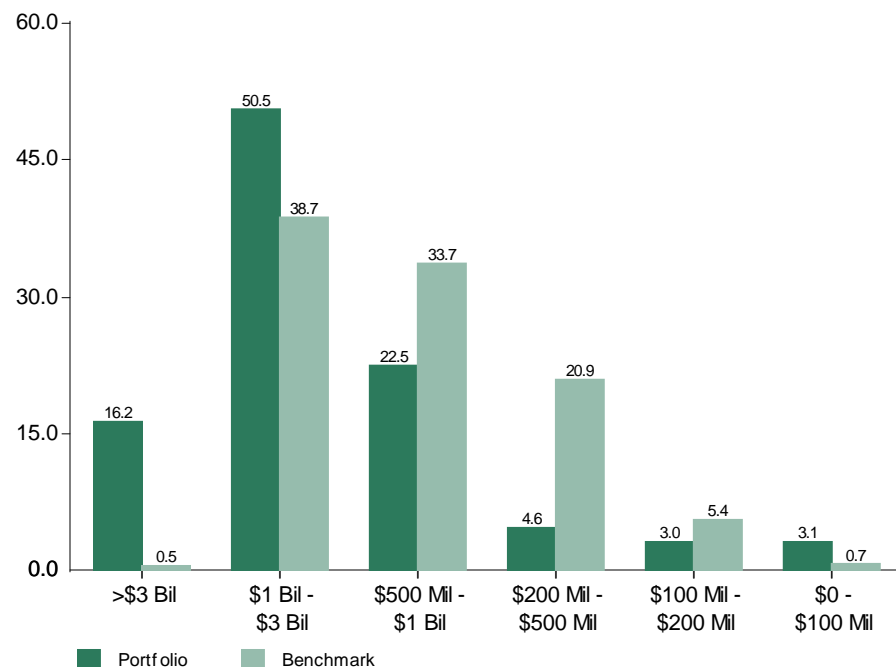
Style Analysis

Insufficient data.

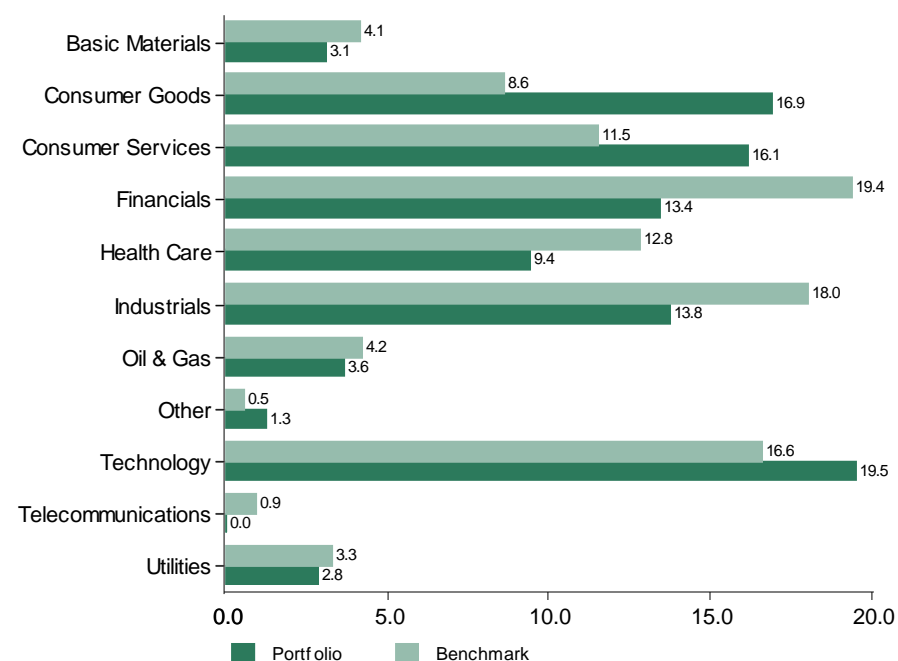
Top Ten Equity Holdings	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
BLUE COAT SYSTEMS, INC.	4.27	0.10	4.17	36.58
TIBCO SOFTWARE	3.27	0.19	3.09	32.36
BJ'S WHOLESALE CLUB	3.15	0.00	3.15	12.38
CALGON CARBON CORPORATION	3.08	0.09	2.99	6.77
DICK'S SPORTING GOODS, INC.	3.04	0.00	3.04	30.23
UNIVERSAL SECURITY	2.92	0.00	2.92	15.53
PERKINELMER INCORPORATED	2.72	0.00	2.72	11.01
ECLIPSYS CORPORATION	2.71	0.12	2.58	8.55
INVERNESS MEDICAL	2.61	0.00	2.61	8.85
ZOLL MEDICAL CORPORATION	2.52	0.05	2.47	11.27
% of Portfolio	30.29	0.55		

Portfolio Characteristics	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$)	1,867,766,980	903,844,023
Median Mkt. Cap. (\$)	1,423,801,000	380,286,550
Price/Earnings ratio	19.71	17.21
Price/Book ratio	2.35	2.05
5 Yr. EPS Growth Rate (%)	17.31	12.55
Current Yield (%)	2.24	3.60
Beta	-	1.00
Number of Stocks	64	2003

Distribution of Market Capitalization (%)



Sector Weights (%)



Gain/Loss includes income received and change in accrued income for the period.

Manager Profile

Style: Foreign Equity

Benchmark: MSCI Net EAFE

Peer Group: International Active Equity (SA + CF)

Inception Date: January 1, 1995

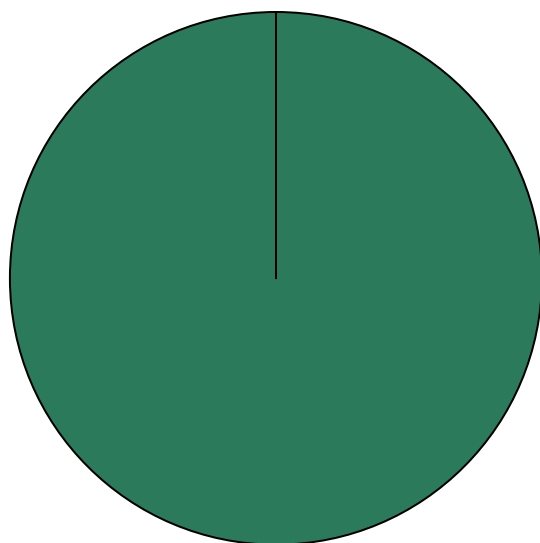
Gain / Loss Summary

	1 Quarter	Year To Date	1 Year
Principal International Stock			
Beginning Market Value	7,530,329	7,023,858	9,092,976
Net Contributions	-96,732	47,081	-29,385
Fees/Expenses	-	-	-
Income	-	-	-
Gain/Loss	1,318,784	1,681,443	-311,209
Ending Market Value	8,752,381	8,752,381	8,752,381

Income includes income received and change in accrued income.

Asset Allocation by Segment

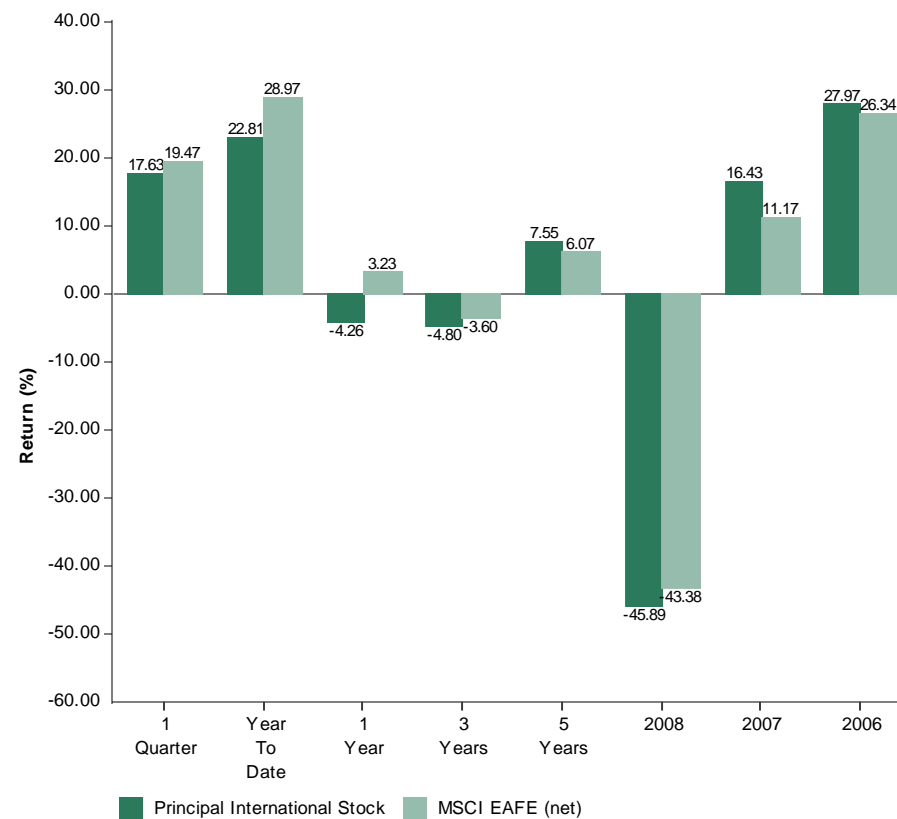
September 30, 2009 : \$8,752,381



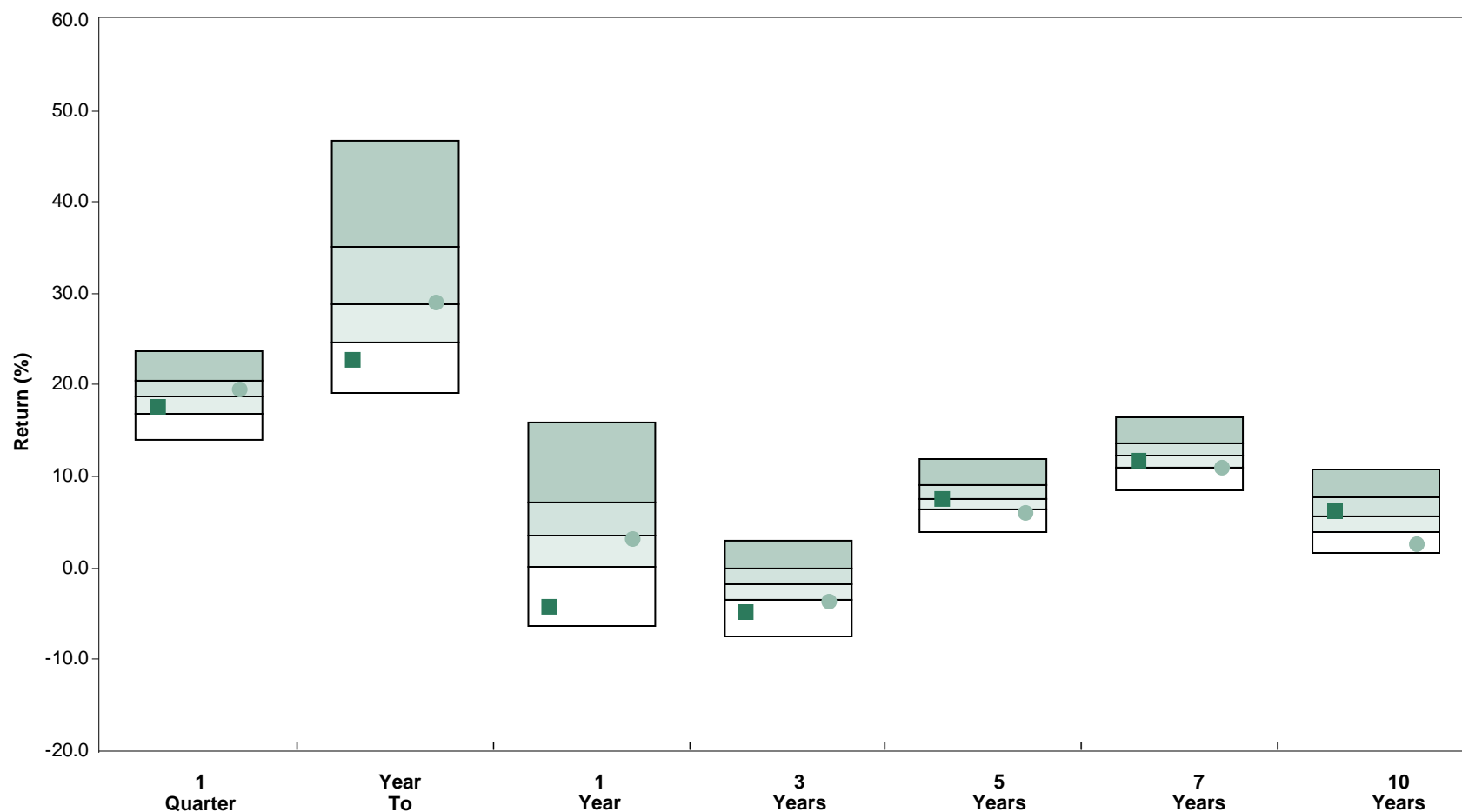
Segments	Market Value (\$)	Allocation (%)
■ International Equity	8,752,381	100.00

Cash allocation includes accrued income for the entire portfolio.

Performance Bar Chart

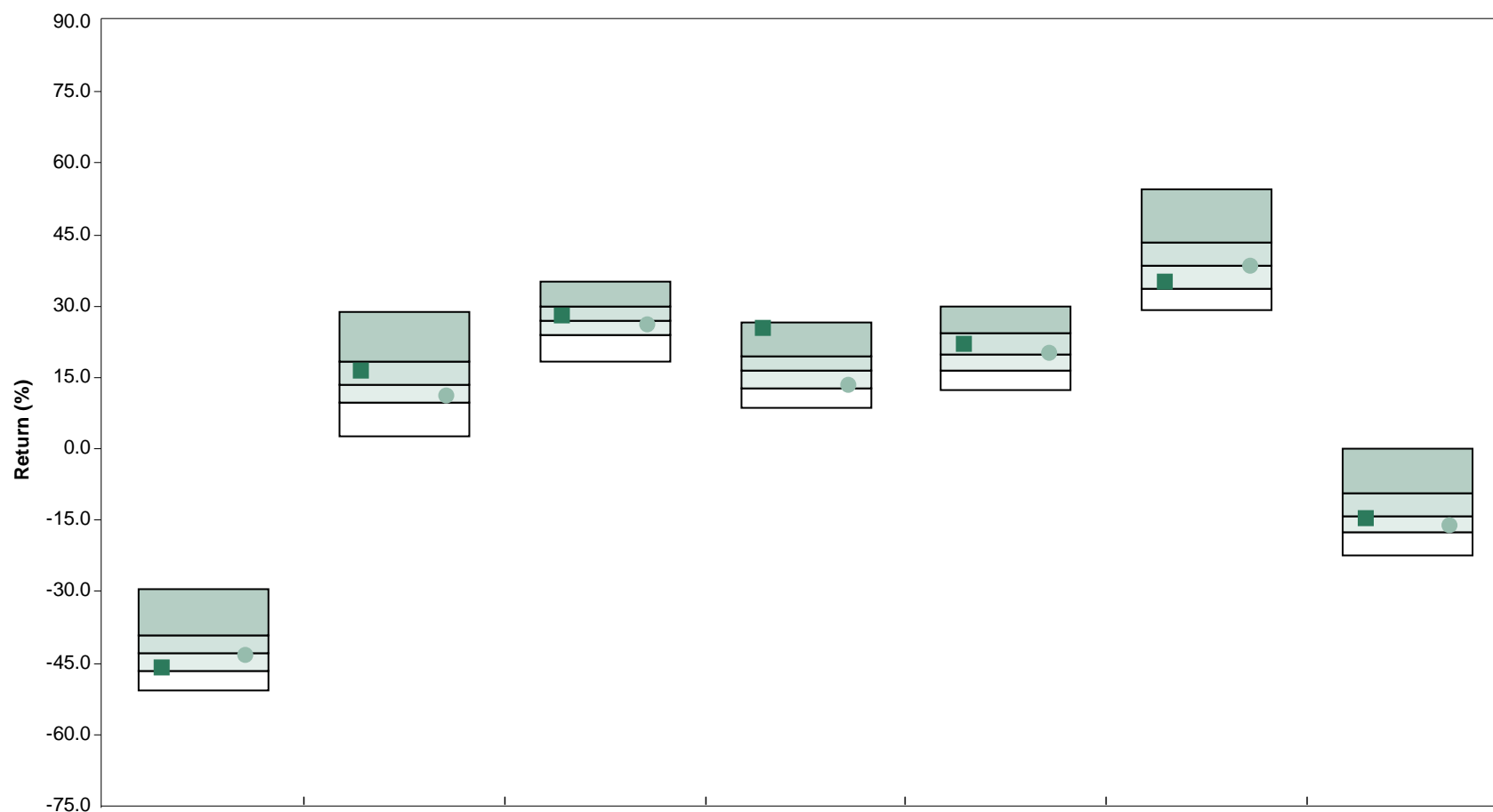


Peer Group Analysis - International Active Equity (SA+CF)



Principal International Stock	17.63 (65)	22.81 (83)	-4.26 (90)	-4.80 (86)	7.55 (51)	11.78 (63)	6.16 (48)
MSCI EAFE (net)	19.47 (36)	28.97 (50)	3.23 (54)	-3.60 (77)	6.07 (80)	10.92 (76)	2.55 (91)
5th Percentile	23.71	46.75	15.98	3.00	11.85	16.52	10.85
1st Quartile	20.42	35.03	7.10	0.05	9.09	13.67	7.72
Median	18.77	28.84	3.63	-1.81	7.56	12.31	5.72
3rd Quartile	16.92	24.64	0.11	-3.55	6.34	10.92	3.87
95th Percentile	13.97	19.13	-6.32	-7.50	3.92	8.44	1.64

Peer Group Analysis - International Active Equity (SA+CF)

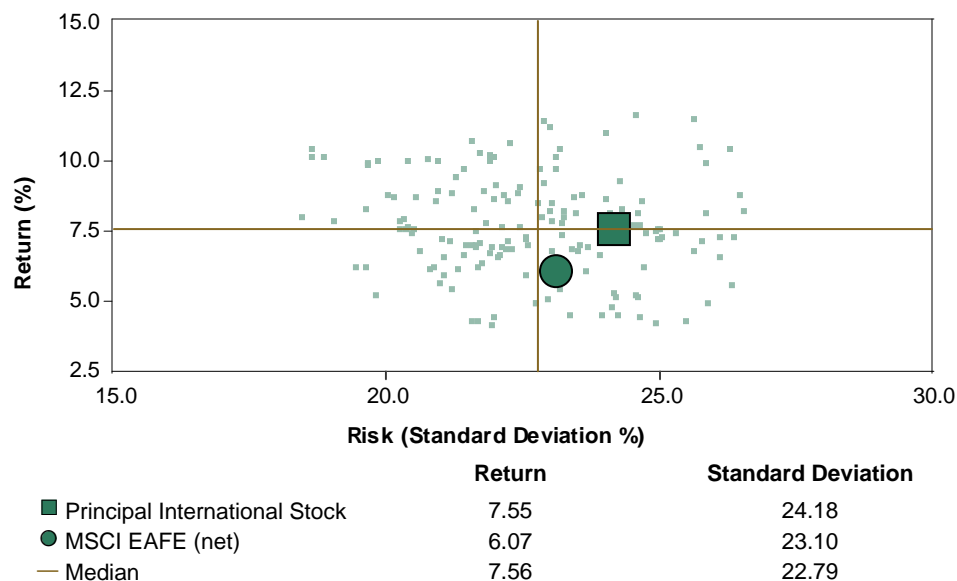


■ Principal International Stock
● MSCI EAFE (net)

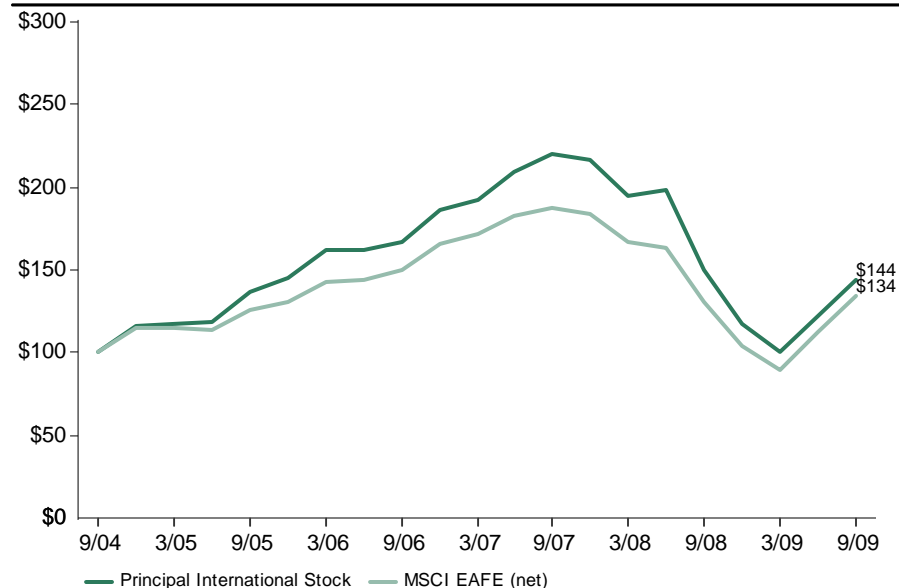
	2008	2007	2006	2005	2004	2003	2002
Principal International Stock	-45.89 (72)	16.43 (34)	27.97 (42)	25.37 (7)	22.19 (37)	34.99 (66)	-14.65 (53)
MSCI EAFE (net)	-43.38 (54)	11.17 (66)	26.34 (56)	13.54 (71)	20.25 (47)	38.59 (50)	-15.94 (64)

5th Percentile	-29.37	28.91	34.98	26.40	29.87	54.47	0.09
1st Quartile	-39.08	18.38	29.95	19.44	24.23	43.42	-9.19
Median	-42.87	13.42	26.90	16.37	19.69	38.35	-14.30
3rd Quartile	-46.68	9.65	23.94	12.75	16.50	33.69	-17.54
95th Percentile	-50.78	2.67	18.16	8.58	12.43	29.15	-22.21

Peer Group Scattergram (10/01/04 to 09/30/09)

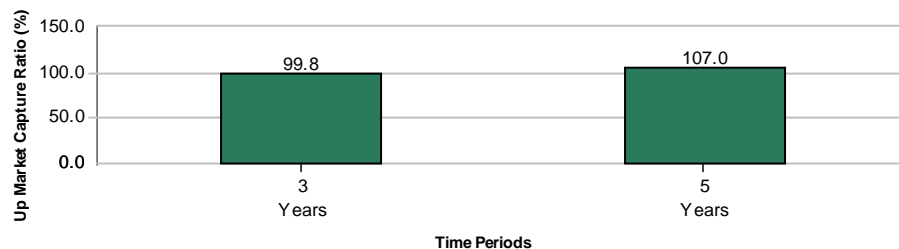


Growth of a Dollar (10/01/04 to 09/30/09)

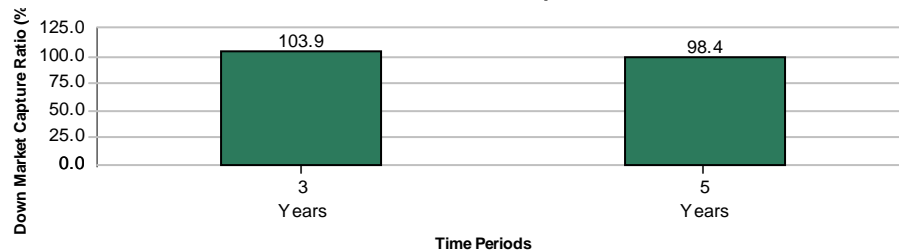


3 & 5 Year Up / Down Market Capture

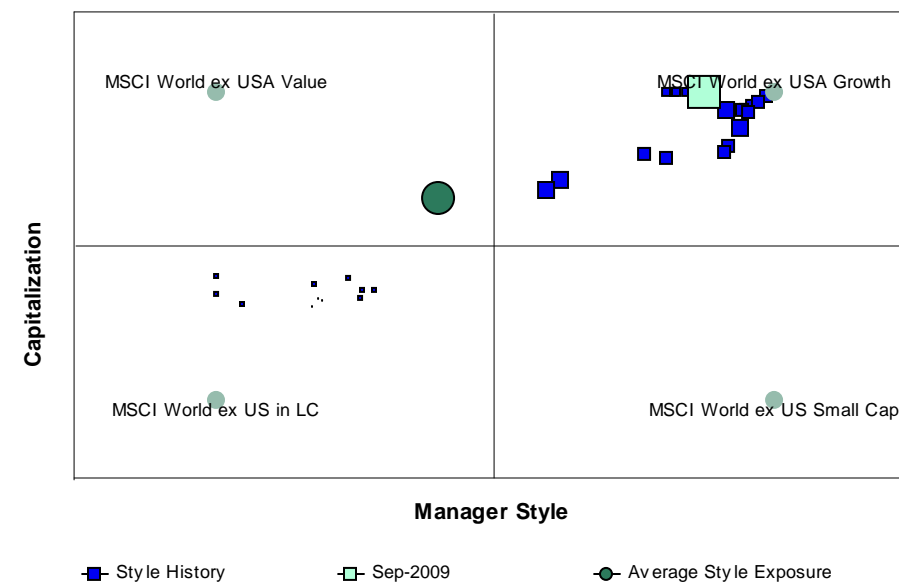
Up Market Capture



Down Market Capture



Style Analysis



Calendar Years	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	%Return
From 05/2002	-	-	-	3,315,150	N/A
2003	3,315,150	-	1,189,213	4,504,363	34.99
2004	4,504,363	-	1,050,394	5,554,757	22.19
2005	5,554,757	48,799	1,527,136	7,130,692	25.37
2006	7,130,692	213,112	2,026,542	9,370,346	27.97
2007	9,370,346	23,792	1,566,027	10,960,165	16.43
2008	10,960,165	1,880,250	-5,816,557	7,023,858	-45.89
To 09/2009	7,023,858	47,081	1,681,443	8,752,381	22.81

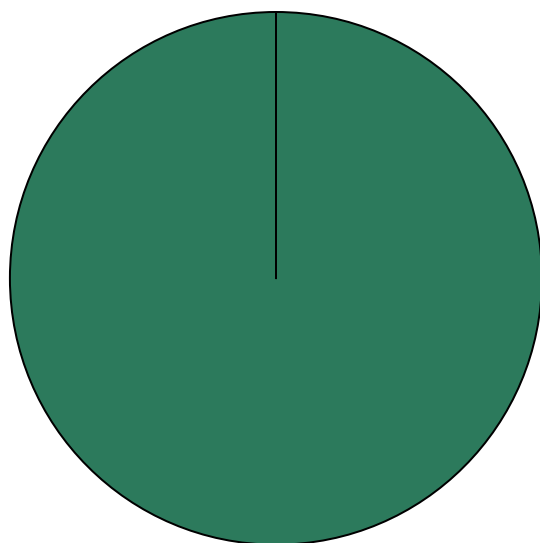
Gain/Loss includes income received and change in accrued income for the period.

Manager Profile

Style:	Core Fixed Income
Benchmark:	Barclays Aggregate Bond Index
Peer Group:	US Broad Market Core Fixed Income (SA + CF)
Inception Date:	January 1, 1995

Asset Allocation by Segment

September 30, 2009 : \$16,513,394



Segments	Market Value (\$)	Allocation (%)
Domestic Fixed Income	16,513,394	100.00

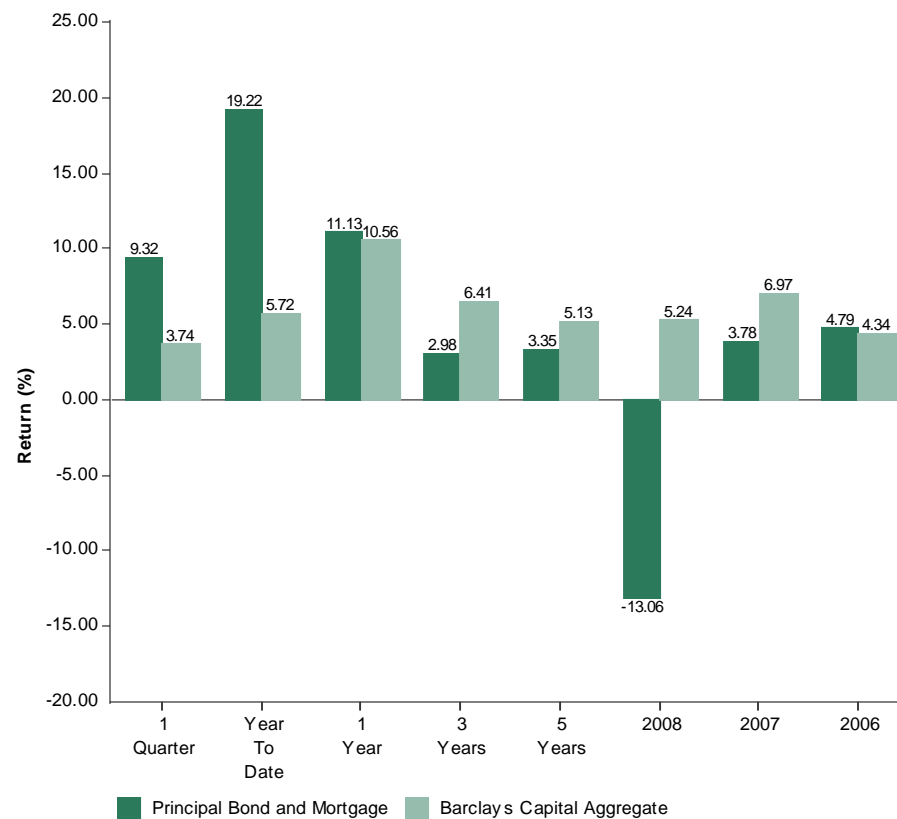
Cash allocation includes accrued income for the entire portfolio.

Gain / Loss Summary

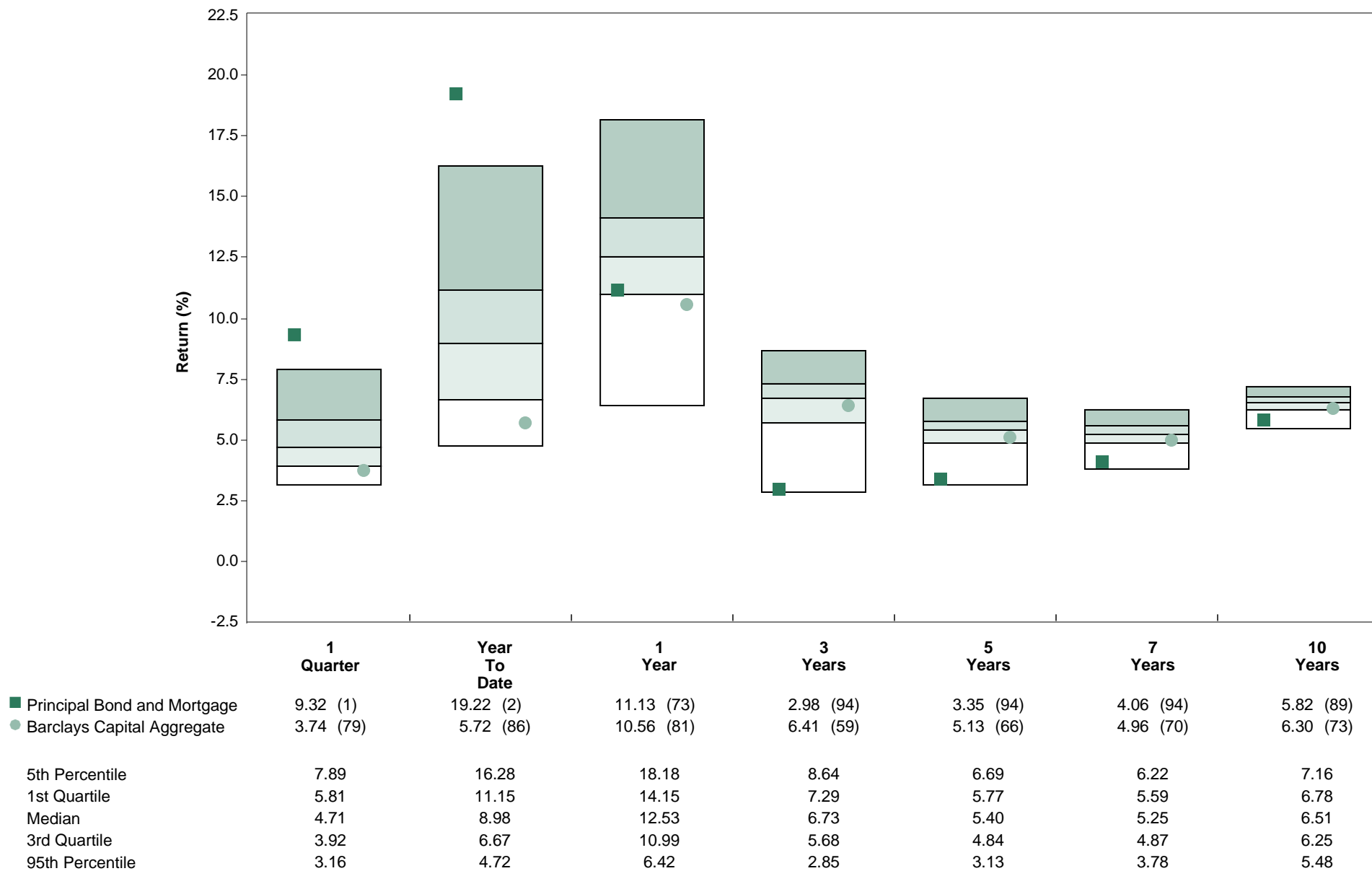
	1 Quarter	Year To Date	1 Year
Principal Bond and Mortgage			
Beginning Market Value	15,324,014	13,697,529	14,878,060
Net Contributions	-225,731	111,752	-67,548
Fees/Expenses	-684	-2,040	-2,040
Income	-	-	-
Gain/Loss	1,415,794	2,706,153	1,704,922
Ending Market Value	16,513,394	16,513,394	16,513,394

Income includes income received and change in accrued income.

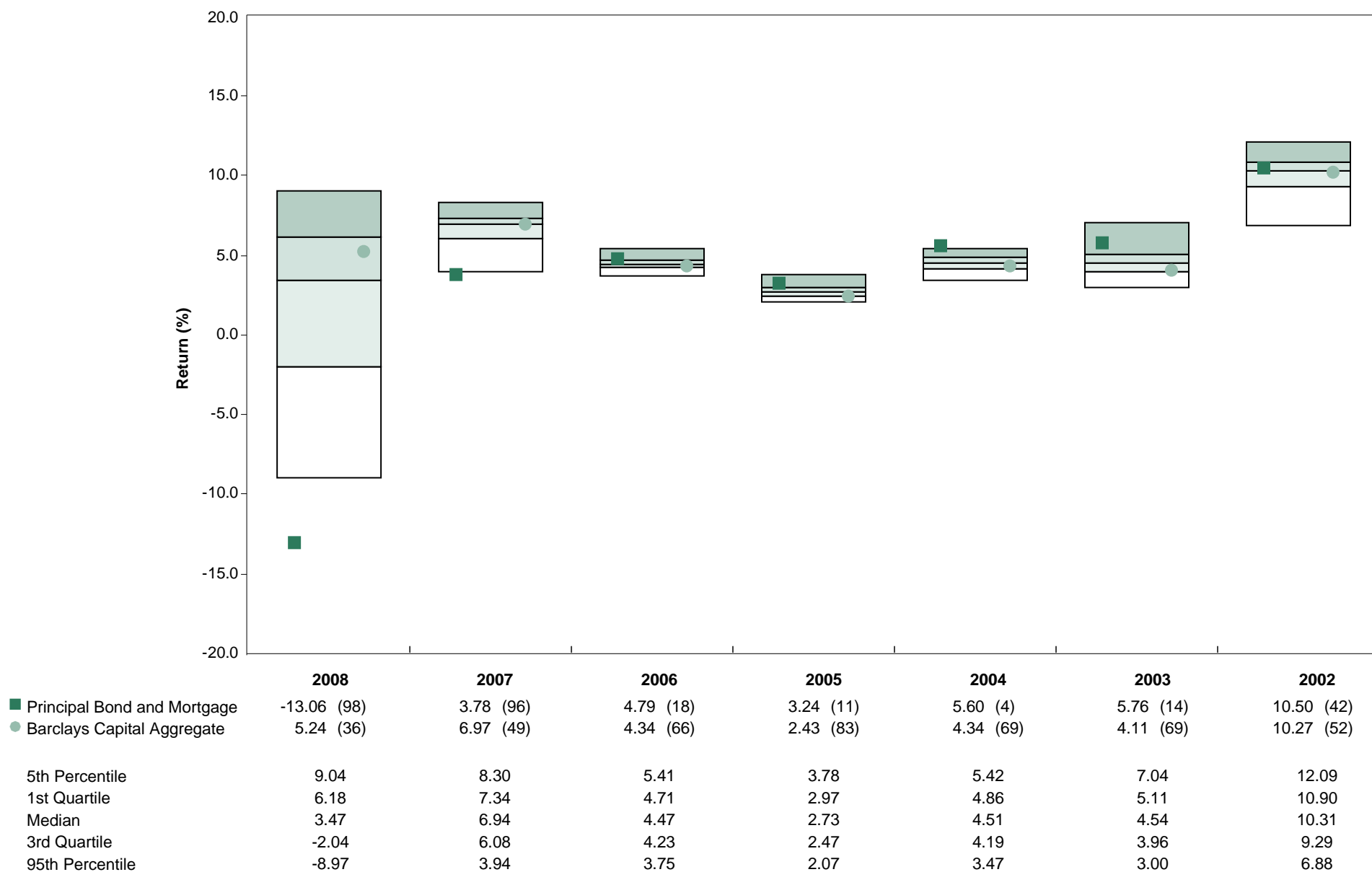
Performance Bar Chart



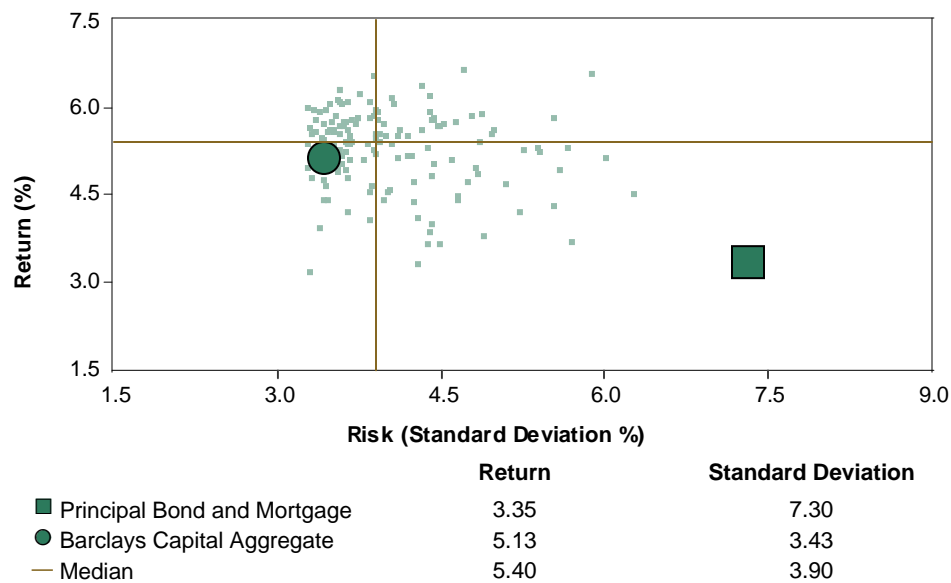
Peer Group Analysis - US Broad Market Core Fixed Income (SA+CF)



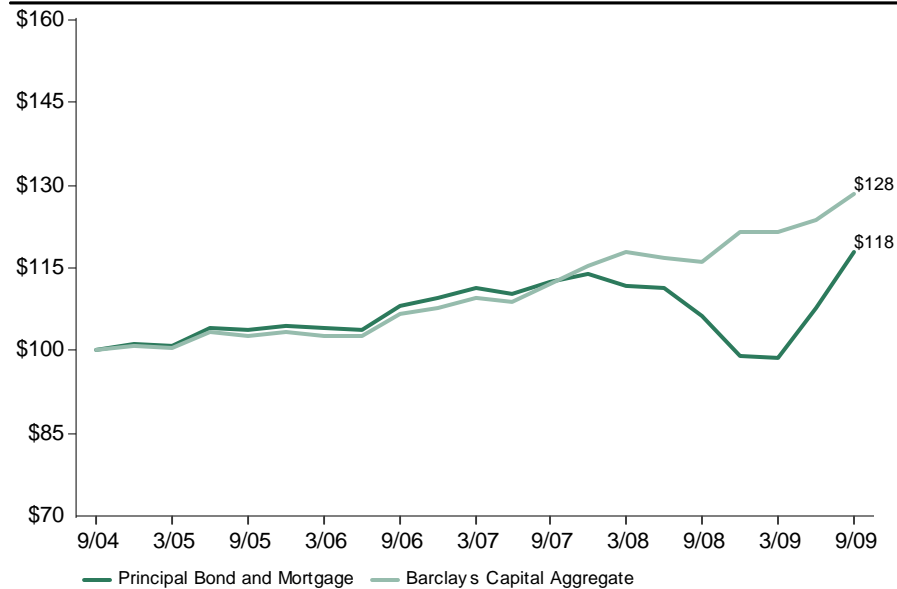
Peer Group Analysis - US Broad Market Core Fixed Income (SA+CF)



Peer Group Scattergram (10/01/04 to 09/30/09)

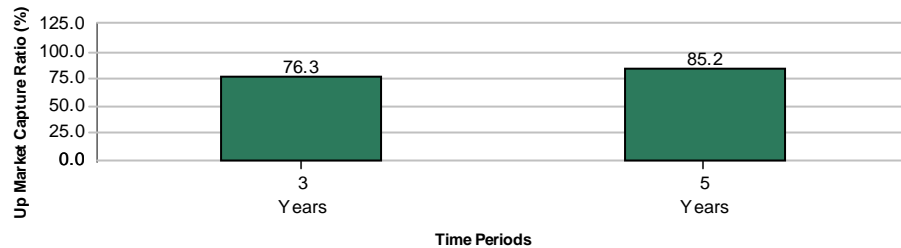


Growth of a Dollar (10/01/04 to 09/30/09)

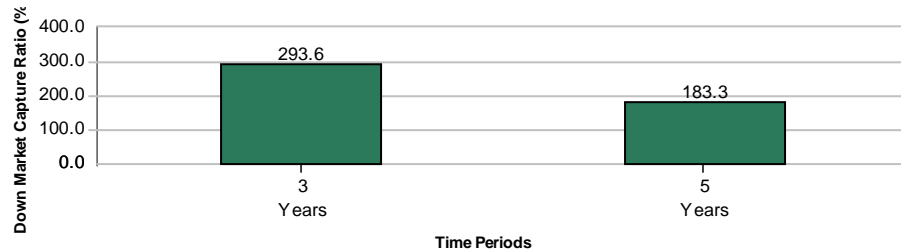


3 & 5 Year Up / Down Market Capture

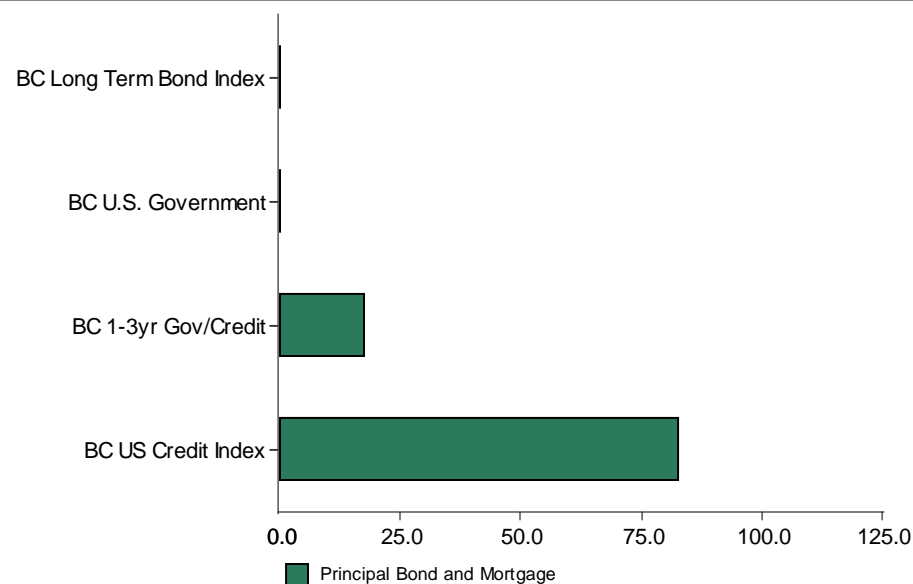
Up Market Capture



Down Market Capture



Style Analysis



Calendar Years	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	%Return
2002	-	-	-	17,707,268	N/A
2003	17,707,268	-	-594,177	17,113,091	5.76
2004	17,113,091	-	1,950,931	19,064,022	5.60
2005	19,064,022	-1,353,584	549,534	18,259,972	3.24
2006	18,259,972	-1,602,868	818,188	17,475,292	4.79
2007	17,475,292	-1,011,042	636,624	17,100,874	3.78
2008	17,100,874	-1,304,056	-2,099,289	13,697,529	-13.06
To 09/2009	13,697,529	109,712	2,706,153	16,513,394	19.22

Gain/Loss includes income received and change in accrued income for the period.

Manager Profile

Style: Real Estate

Benchmark: NCREIF ODCE Equal Weighted

Peer Group: N/A

Inception Date: April 1, 2008

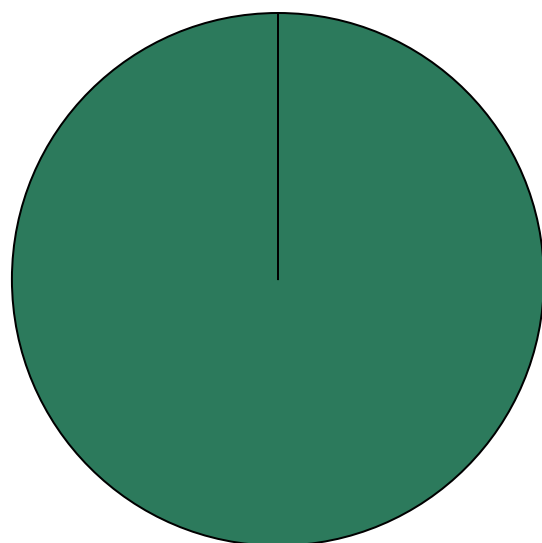
Gain / Loss Summary

	1 Quarter	Year To Date	1 Year
Prudential Real Estate Investors			
Beginning Market Value	6,006,758	8,239,906	9,658,219
Net Contributions	-	-	-20,400
Fees/Expenses	-15,159	-50,625	-50,625
Income	116,289	240,436	240,436
Gain/Loss	-584,681	-2,906,509	-4,304,422
Ending Market Value	5,523,209	5,523,209	5,523,209

Income includes income received and change in accrued income.

Asset Allocation by Segment

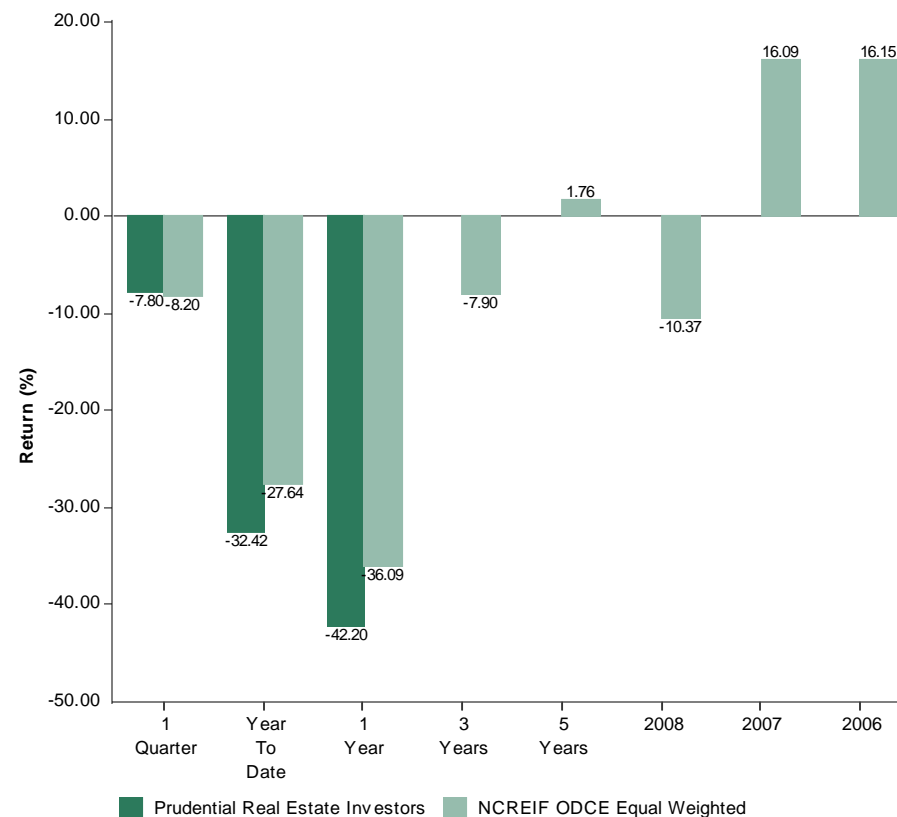
September 30, 2009 : \$5,523,209



Segments	Market Value (\$)	Allocation (%)
Real Estate	5,523,209	100.00

Cash allocation includes accrued income for the entire portfolio.

Performance Bar Chart



Calendar Years	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	%Return
From 03/2008	-	-	-	8,239,906	N/A
To 09/2009	8,239,906	-50,625	-2,666,073	5,523,209	-32.42

Gain/Loss includes income received and change in accrued income for the period.